

FISCAL YEAR 1972 AUTHORIZATION FOR MILITARY PROCUREMENT, RESEARCH AND DEVELOPMENT, CONSTRUCTION AND REAL ESTATE ACQUISITION FOR THE SAFEGUARD ABM, AND RESERVE STRENGTHS

HEARINGS
BEFORE THE
COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE
NINETY-SECOND CONGRESS

FIRST SESSION

ON

S. 939 (H.R. 8687)

TO AUTHORIZE APPROPRIATIONS DURING THE FISCAL YEAR 1972 FOR PROCUREMENT OF AIRCRAFT, MISSILES, NAVAL VESSELS, AND TRACKED COMBAT VEHICLES, AND OTHER WEAPONS, AND RESEARCH, DEVELOPMENT, TEST, AND EVALUATION FOR THE ARMED FORCES, AND TO AUTHORIZE REAL ESTATE ACQUISITION AND CONSTRUCTION AT CERTAIN INSTALLATIONS IN CONNECTION WITH THE SAFEGUARD ANTIBALLISTIC MISSILE SYSTEM, AND TO PRESCRIBE THE AUTHORIZED PERSONNEL STRENGTH OF THE SELECTED RESERVE OF EACH RESERVE COMPONENT OF THE ARMED FORCES, AND FOR OTHER PURPOSES

**Supplement to 5 Parts, F-14, Patrol Fleet Boats, Southeast Asia
Funding**

JULY 14, 22, 1971

Printed for the use of the Committee on Armed Services



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(II)

**MILITARY AUTHORIZATIONS, FISCAL YEAR 1972
F-14 PROGRAM**

WEDNESDAY, JULY 14, 1971

**U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.**

The committee met, pursuant to recess, at 10:10 a.m., in room 212, Old Senate Office Building, Hon. John C. Stennis (chairman) presiding.

Present: Senators Stennis (chairman), Jackson, Cannon, McIntyre, Byrd, Jr., of Virginia, Bentsen, Smith, Dominick, Goldwater, and Schweiker.

Also present: T. Edward Braswell, Jr., chief counsel and staff director; John T. Ticer, chief clerk; R. J. Woolsey, general counsel; L. R. Garcia, Charles Cromwell, Don Lynch, George Foster, Edward Kenney, professional staff members; James Kendall, chief counsel, Preparedness Investigations Subcommittee; Ben Gilleas, director of investigations, Preparedness Investigations Subcommittee; and Frances Funk, staff aide.

The CHAIRMAN. If we may come to order, please.

Secretary Packard, we are delighted to have you here this morning, as we always are. I just want to give you a special word of welcome for the entire committee.

If I may say a word to the committee membership, as you know, we made good headway yesterday. We have Secretary Packard on the F-14 matter and then, at his completion, the Navy wants to present the additional ship program to which we referred yesterday, which is a new item in the budget.

Have we actually received a budget communication?

Mr. BRASWELL. No, sir, the formal budget communication has not been received.

**STATEMENT OF HON. DAVID PACKARD, DEPUTY SECRETARY OF
DEFENSE, ACCOMPANIED BY CAPT. LIONEL E. AMES, JR., USN,
PROJECT MANAGER, F-14 PROGRAM**

Mr. PACKARD. It will be on its way shortly, I understand.

The CHAIRMAN. We are assuming that they are not going to change their mind but we will have to have that.

Mr. PACKARD. Yes, sir.

FUTURE OUTLOOK

The CHAIRMAN. All right, now, if it is agreeable with the committee we will go right into this matter with the Secretary about the F-14.

(4201)

Mr. Packard, we have discussed this program and, of course, the subcommittee has been into it, but before we make a decision, we wanted you to come and tell us your version. Someone from Navy called me and said they wanted to come and explain your position on it. I said, "Well, Secretary Packard can explain his position." We would like to give you a chance to do so and also give any member the opportunity to ask you questions.

We want to know what you think about it now and what you see in the future for the F-14 and the contract.

With that I would ask you to proceed; then we will have some questions.

Mr. PACKARD. Thank you, Mr. Chairman and members of the committee.

I am pleased to have a chance to discuss this issue with you. I have brought along with me Captain Ames, who is the project manager on the F-14.

The CHAIRMAN. Glad to have you, Captain Ames.

Mr. PACKARD. And I wanted to say a word about why I brought him along.

One of the things I have been trying to do is to get the most direct line of communication between the project manager, the fellow who is really running the program, and those of us topside who have to make decisions as well as members of the committee.

One of the difficulties we have is that sometimes issues come up through so many layers or filters in the services that we are not sure what is going on down on the firing line. I would hope that in the future you can have your project manager here and let him tell you, because he is the fellow who is living with the program and knows what is going on.

I have prepared a statement, which I think outlines the issues. Perhaps I could go through it, which I will try and do as quickly as I can, and then respond to questions.

The CHAIRMAN. We will give you such time as you want. We have been over the thing rather well so as soon as you can, come into your fact findings and recommendations and what you expect for the future.

Mr. PACKARD. Well, I have a statement. If you don't want to take the time to go through it, perhaps I could—

The CHAIRMAN. Read it if you want to.

Mr. PACKARD. As I am sure you know, I have followed this program rather closely from the beginning. The contract was entered into early in 1969. It was, again, one of the total package procurement kind of contracts that provided for both development and production on a fixed-price basis, with various ceilings and so forth. I had some concern at the time as to whether we should go ahead with the contract or make some modifications.

I was concerned, in addition to the form of the contract, about the concurrency between development and production, which is something that has caused a good deal of trouble in many of these programs. This program had concurrency, not only in terms of the development and production of the A model, but there was also a plan to go to the B model, which involved an advanced technology engine. And so in one sense this project had sort of a double concurrency problem in it.

BASIS FOR REVIEW

There were two factors that occasioned our recent review. The first factor was the accident that occurred around the first of the year. You know that the first aircraft had an accident. It turned out that there was no particularly serious engineering problem involved, but it was a serious enough problem to have the accident, because that caused some delay in the development schedule.

The second factor was the contractor's claim that he would incur program costs significantly above the contract ceiling.

For these reasons, then, I felt it was necessary to stop and take a new look at the entire program. While these two factors occasioned this formal review, I also asked the Secretary of the Navy to look at some other matters, related issues, such as improved management procedures in the Navy, whether there were indeed some viable alternatives to the F-14 for the fleet and area air defense mission, the mix of F-14A and F-14B aircraft and steps that could be taken to reduce program costs.

You recall, Mr. Chairman, I called you just as I called the chairman of the House Armed Services Committee, and told you both that I was concerned about this matter. I thought we should address it now rather than put it off, and that was the occasion when we looked into it.

We have come to the conclusion, as you know, that we should stay with the original contract. We have been able to take some steps which I think will improve the situation. The alternative, which was to go back and renegotiate a new contract for the program, turned out to be just infeasible. We couldn't work out at this time an agreement with Grumman that was not in fact a bailout and would look like a bailout. I didn't think I could defend it, and I didn't think I could ask the committee to defend it here either.

NONCONTRACT ACTIONS

There are some noncontract actions that we have taken which I think are going to be helpful. The Navy has simplified and improved the internal management of this program. There is now only one line of command from the program manager to the Chief of Naval Operations and the Secretary of the Navy. One of the difficulties we had was that the project manager had too many people looking over his shoulders and getting involved. I think we have that straightened out, and I think this is a useful step not only in this program but also in other programs. We just can't have too many people getting involved in these matters.

The CHAIRMAN. We didn't mean to exclude the Secretary of the Navy by inviting you, you know. I didn't want that inference to be in the picture at all. But we had dealt with you and wanted your report. We had letters here from you. In deference to the Secretary, I want to make that clear for the record and for all of the committee.

Mr. PACKARD. Second, we have reviewed the Navy alternatives to the F-14 for the fleet air defense mission. There was some discussion of the possibility of going to an improved F-4, but it turned out that you couldn't put the PHOENIX system on the F-4 without getting into a very unsatisfactory program.

The PHOENIX missile system is coming along well. Tests are proceeding in a satisfactory manner, and this system will in my view provide a significant improvement in the Navy's capability to meet large-scale attacks and sophisticated threats against the fleet. There were no alternatives presented which at this time looked as though they could be anything more than a modest improvement in the present capability, and even those did not look very viable.

Third, I carefully considered the mix of F-14A and F-14B aircraft to determine whether the F-14A was an adequate improvement over existing capabilities, or whether we should make a decision to hold off and not produce the A but wait until we could produce the B.

CONCLUSIONS REACHED

The conclusion I came to, and I think this is a key conclusion in terms of the decision, was that we could indeed and should stay with the F-14A and concentrate our efforts on that program, that it did provide a significant improvement in capability. I was very much troubled about the original plans, which were to build a limited number of As and then get into the Bs as fast as we could; that just looked as though it would not be necessary.

So it is appropriate, in my view, to go ahead with the present contract.

ENGINE DEVELOPMENT

One thing we are proposing to do is carry on the advanced technology engine development. That is now behind schedule and would have posed another complication in the situation. The airframe contract is such that the Navy does not have to go to Bs, and we could stay with As right straight through the whole program. What we are asking the Navy to do is stay with the As until the new technology engine is developed and ready to go. Then they can decide to go ahead with the B program, and that may mean waiting until 1975 before you get the Bs.

Senator BENTSEN: You say it may mean what?

Mr. PACKARD: I am talking about the A versus the B model. It may be clear up to 1975 before we will be able to go to the B model of the F-14.

The CHAIRMAN: 1975?

Mr. PACKARD: Yes, sir. That is uncertain because my recommendation is that we hold the decision on timing until we get the B engine developed and tested, so we know that we have something proven to work with. That just takes the B program out of any fixed commitment at this time. I approved the Navy plans to orient the F-14 program to the A model aircraft, and the production decisions on the F-14B will be made after further development of the advanced technology engine.

RENEGOTIATION DECISION

The central decision on this question was whether we should at this time renegotiate the contract or live with the existing contract. We have to decide whether to retain this existing fixed-priced contract with its potentially lower cost, as well as program concurrency which I would like not to have. The other option was to break the contract, which we concluded would incur higher costs, but it would have

enabled us to structure a program with better phasing of development and production.

This decision was influenced by the degree of concern we had about the concurrency in the whole program, and also the credibility that we assigned to the contractor's claim that the costs were excessive and would impact on the company in an unacceptable way.

CONCURRENCY

With respect to the problem of concurrency, it is my clear preference to avoid the concurrency that exists in the F-14 program. However, while the concurrency is undesirable at this time in the F-14 development, there are no technical problems that have been identified that would make it unwise to execute the production options in the existing contract, provided we stick with the A model.

Specifically, the loss of this first test aircraft was not a result of any serious technical unknown, but basically an engineering problem, one which apparently has been solved in a satisfactory way already.

In summary, then, while I would prefer less concurrency, I feel that the progress on the present development program for the F-14 is satisfactory, and that it does not warrant renegotiation of the existing contract solely to avoid or minimize concurrency.

COSTS

During the review it was clear that some elements of costs have increased more than was anticipated when the contract was signed. However, the contractor will not incur, as far as we can determine now, any significant losses for development and production over at least the first three lots of aircraft. The contractor's projected losses become significant only in the later production lots. Furthermore, even accepting the contractor's statement of costs, it appeared that the after-tax loss of the Grumman Corp. under a worse case assumption would be on the order of [deleted] million over a 3- or 4-year program for the first seven aircraft lots, a total of 313 aircraft.

I do not believe these contractor projected losses, which would occur sometime in the future, and which do not at this time present a serious threat to the viability of the corporation, warrant renegotiating the contract which the Department now holds for the F-14 aircraft. I believe it is preferable first to determine if actions could be taken within the existing contract to reduce the program and contractor's costs. Toward this end the Navy has initiated a "should cost" review of the F-14 program which we believe will provide data for a valid assessment of the contractor's costs. Also, it will provide a base line for continuous attention to the cost of this program. I believe that these actions will help to reduce the program costs and also permit us to take appropriate action should the contractor's losses appear to imperil the viability of the Grumman Corp.

SUMMARY

In summary, then, this F-14 program has been the subject of a very careful and thorough review by the Department of the Navy, by the Defense Systems Acquisition Review Council, which is my OSD group that addresses these problems, and by myself.

The Navy has attempted to renegotiate a contract with Grumman Aircraft Corp. which would minimize program concurrency. However, the contractor has made no proposals that did not result in a significant increase in program costs. In view of this, and of the generally satisfactory progress of the development program, I have approved the Navy recommendation to retain the existing contract and to orient the program to the A model aircraft. This is an important program for the Navy and for the Department, and I urge your continued support. Specifically I urge approval of our request for authorization of \$806 million for fiscal 1972.

(The statement follows:)

I have personally directed and participated in a recent complete review and evaluation of the F-14 program. Today I would like to discuss the factors that led to this review, its scope, the conclusions I drew from it and to request your support of this program.

I have followed this program closely since I came into office. This attention is warranted by its importance to the Department of Defense, its dollar value, and particularly, by its contract. As you recall, this contract was announced just before Secretary Laird and I took office. For some time I have been convinced that new weapons systems procurement based on a fixed-price contract executed before development has even begun presents serious risks to both the contractor and the government. However, this is the nature of the F-14 contract. It became clear during our review that major changes in this program would be largely determined by our decision on whether this fixed-price contract should be retained or renegotiated.

Two factors occasioned our recent review of the F-14 program. The first factor was the accident which resulted in the loss of the first aircraft. This was of particular concern because of the high degree of concurrency between development and production in the basic contract and because any development delay resulting from this loss could significantly increase this concurrency. The second factor was the contractor's claim that he would incur program costs significantly above the contract ceiling. For these reasons I felt it necessary to stop and take a new look at the entire program. While these two factors occasioned this formal review, I asked the Secretary of the Navy to also address a series of related issues: improved management procedures in the Navy; alternatives to the F-14 for the Fleet and Area Air Defense mission; the mix of F-14A and F-14B aircraft; alternative development and production contracts for this aircraft; and steps to reduce program costs.

While the issue of contract retention or renegotiation was central to my decisions let me first discuss those noncontractual actions we have taken and some of the factors considered during this review.

First, the Navy has simplified and improved its internal management of this program. There now is only one line of command from the program manager to the Chief of Naval Operations and the Secretary of the Navy.

Second, I reviewed Navy alternatives to the F-14 for the Fleet Air Defense mission. The Navy was unable to develop an alternative aircraft proposal which retained the unique advantages of the F-14 for the Fleet Air Defense mission. Specifically, the F-14 has the PHOENIX missile system. The tests of this system are proceeding satisfactorily and promise a significant improvement in the Navy's capability to meet large scale attacks and sophisticated threats. No alternatives were presented which afforded more than a modest improvement in the present capability.

Third, I carefully considered the mix of F-14A and F-14B aircraft to determine whether the F-14A aircraft was an adequate improvement over the existing capability and whether we should now make a decision to produce F-14B aircraft. It was clear that the F-14's unique PHOENIX capability, common, of course, to both the F-14A and B, did promise a substantial improvement over existing aircraft in the Fleet or Area Air Defense mission.

The issue of F-14A or B aircraft came down to a question of the development status of the advanced technology engine and the contribution this engine made to the F-14B in the Fleet Air Defense mission. The review established that the development of this engine has slipped by [deleted]. This slip compounded an already tight schedule to mate the advanced technology engine to the B version of the F-14. Further, it was clear that this engine made only a marginal contribution to the Fleet and Area Defense mission.

For these reasons, I have approved the Navy's plan to orient the F-14 program to the A model aircraft. Production decisions on the F-14B aircraft will be made after further development of the advanced technology engine. As you know, much of this engine was being developed for common use by the Navy and the Air Force. I have asked the Secretaries of the Navy and Air Force to reexamine this engine development program and to submit their recommendations on changes to the current plans by 1 August.

As I stated earlier, the central decision on the F-14 program is whether we should retain or renegotiate the existing contract. We have to choose between the option of retaining the existing fixed-price contract with its lower costs and program concurrency against the other option of breaking the contract, incurring higher costs but structuring a new program with a better phasing of development and production. This decision is influenced by the degree of our concern about the concurrency in the existing program, the credibility that we assign to the contractor's claims of excessive costs and their impact, and finally, by the actions that we can take within the existing contract to improve the program.

With respect to the problem of concurrency, it is my clear preference to avoid the concurrency that exists in this program. In the case of the F-14, however, while the concurrency is undesirable, at this time in the development no technical problems have been identified that would make it unwise to execute the production options in the existing contract. Specifically, the loss of the first test aircraft was not a result of any serious technical unknown but rather was basically an engineering problem. In summary, while I would prefer less concurrency, I feel that progress on the current development program for the F-14 is satisfactory and does not warrant renegotiation of the existing contract solely to avoid or minimize concurrency.

I know that you are aware of the contractor's claims that he will incur program costs significantly in excess of the contract ceiling. During the review it was clear that some elements of cost have increased more than was anticipated when the contract was signed. However, the contractor will not incur any significant losses for development and production over at least the first three lots of aircraft. The contractor projected losses became significant only in later production lots. Furthermore, even accepting the contractor's statement of cost, it appeared that the after-tax loss of the Grumman Corporation under a worse case assumption would be on the order [deleted] over a 3 or 4 year period, for the first seven aircraft lots—a total of 313 aircraft. I do not believe that these contractor projected losses which would occur sometime in the future and which do not at this time present a serious threat to the viability of the corporation warrant renegotiating the contract which the Department now holds for the F-14 aircraft. I believe it is preferable first to determine if actions could be taken within the existing contract to reduce program and contractor's costs. The Navy has initiated a "should-cost" review of the F-14 program which should provide data for a valid assessment of the contractor's costs. Also, it will provide a baseline for continuous attention to the costs of this program. I believe that these actions will help to reduce program costs and also to permit us to take appropriate action should the contractor's losses appear to imperil the viability of the Grumman Aircraft Corporation.

The F-14 program has been the subject of a very careful and thorough review by the Department of the Navy, the Defense Systems Acquisition Review Council, and by myself. The Navy has attempted to renegotiate a contract with the Grumman Aircraft Corporation which would minimize program concurrency. However, the contractor made no proposals that did not result in a significant increase in program costs. In view of this and of the generally satisfactory progress of the development program, I have approved the Navy recommendation to retain the existing contract and to orient the program to the A model aircraft. This is an important program for the Navy and for the Department of Defense. I urge your continued support. Specifically, I urge your approval of our request for an authorization of \$806 million for FY 1972.

CONCURRENCE WITH HOUSE LANGUAGE

The CHAIRMAN. When the House passed on this matter, you had not yet reached a conclusion?

Mr. PACKARD. That is right.

The CHAIRMAN. For that reason they left out the funds for the F-14.

Of course if we put them in, the burden of proof is on us all the way through the Senate and the conference. I am sure you lost no time in getting all of these matters before the House.

Mr. PACKARD. I believe, Mr. Chairman, that we will have no difficulty in getting the support of the House Committee. I think that will work out all right. I discussed this matter with Chairman Hébert at the same time I discussed it with you. They were about to go to the floor of the House and they had to do something. They concluded that this was the best thing to do under the circumstances.

The CHAIRMAN. I mention that because it is a fact of life. I assume you will take it up with them?

Mr. PACKARD. Yes, sir. The Navy has already taken it up with them, and we do not anticipate any difficulty in conference on this issue.

The CHAIRMAN. You cannot be certain, of course, but how firm can you be, how strong can your assurances be, that you will be able to enforce the Government contract beyond this first stage?

RENEGOTIATION

You say you don't favor renegotiation now and gave your reasons, but how firm can you be about the Government position?

Mr. PACKARD. As you know, Mr. Chairman, Grumman has made some statements saying they might not be willing to stay with this contract. It seems to me it is very unrealistic for them to take that position. Essentially, their entire business is with the Defense Department. I would think we would have adequate leverage to enforce the contract, and that is what I would propose to do. As I said here, I think we can do some things which will help reduce the program costs and make it more likely that they will not have difficulty, but when you really get down to the wire, I just didn't see how we could make a change in the contract now just because of their statement that they are going to have some trouble in the future. I didn't think we could defend that position, so I think we have a very good chance of staying with the contract. I can't say that as an absolute 100-percent assurance that there won't be some trouble in the future, but I do think it is very helpful to have addressed this problem now.

The CHAIRMAN. Yes.

Mr. PACKARD. So we can take some action and hopefully forestall what could be a difficult problem in the future.

The CHAIRMAN. As I understand, we are faced with an uncertainty about being able to enforce the second phase of this contract?

Mr. PACKARD. Well, I don't really see that there is much uncertainty in the matter. It is hard for me to see how the Grumman Company can come up and say they won't honor a contract, unless they can demonstrate that there was something seriously wrong with the contract in the first place, and I don't see that they can.

The CHAIRMAN. Senators and others have said to me, don't let them out of the contract; hold them to it. I understand their feeling but at the same time I want to know what we are going to be faced with.

Mr. PACKARD. Navy estimates that they might have a total net corporate loss, after taxes, of some [deleted] million, through lot 7 of the F-14 contract. I am sure that there are some things that can be done to reduce the costs. Whether they can be reduced to the point that

the company will come out without a loss on the 313 aircraft I can't say. But I don't see why under the circumstances we shouldn't hold to that position. If the loss is no more than that over a few years, I would think we have no course but to hold tight on the entire program.

The CHAIRMAN. This was the first major contract the new administration made, wasn't it, in this field?

Mr. PACKARD. The contract was prepared and the contractor selected before we came into office. I addressed it, and I had some concern at the time. I didn't see that we had any basis for reversing the position at that time. The key issue in my view is to get the program oriented toward the A model aircraft. That, I think, will help, and it will help in the long run in terms of other things than the costs on this contract. One of the things that troubled me greatly was that the Navy was proposing to have one or two squadrons of As, get them into the fleet and outfitted with support and then bring in squadrons of Bs. That would have meant a double program. So by concentrating on the As only we are going to have a less costly overall program regardless of how we come out on this contract.

The CHAIRMAN. I know you have given it your personal attention from the beginning. In my book that was an asset to the company and the Government both.

Mr. PACKARD. Well—

The CHAIRMAN. And I know you are concerned about what has developed.

Mr. PACKARD. I think the most important thing is that while I can't promise you there will not be trouble down the line, I think by having faced up to the issue now and done some things now, we have minimized the likelihood of trouble down the line. And getting back to what the alternatives are, I just could not recommend a change of contract today.

ADVANTAGES OF B OVER A MODEL

The CHAIRMAN. As much as a year ago comments were made that maybe we ought to skip this A model and go on to the B. We want you to testify for the record again, what is the advantage that this B model is going to have over the A?

Mr. PACKARD. Well, that is an issue that I was concerned about and I asked the Navy among other things in addressing this problem to recommend a program which would go to Bs only.

The difference between the A and B models is in the engine. The airframe is essentially the same except to the extent that modification will have to be made in the ducts or a few details to accommodate the B engine.

The B engine, the advanced technology engine, has the same center element—I forget exactly what you call it—as the engine for the F-15, and both the F-15 and F-14 are going to have an engine that had some common parts in it.

Specifically, the A model has performance superior to the F-4. I don't have the performance figures with me here. We could get those for you.

The B model would give significant improvement in what they call energy maneuverability. In other words, the B model would be a hotter aircraft.

One of the missions of the F-14 is fleet air defense and that has to do with defending against an attack by a large number of aircraft—bombers, presumably. The PHOENIX missile is a long range standoff missile, and in employing the PHOENIX missile the energy requirement is not as important an element.

In addition to that, there are two schools of thought on this business of fighter aircraft, and I think you can argue the point both ways. It is, of course, desirable to have maneuverability. This helps in terms of avoiding surface-to-air missiles and in terms of dog-fight capability.

At the same time the key weapon on these aircraft, the air-to-air missile is an important factor, but as I say, the PHOENIX missile is a long range stand-off missile, so you are not involved in that kind of a situation with that system.

We have a new advanced missile program coming along, the AGILE, which will give us substantially improved air-to-air capability. I think it is very likely that the A model, with this advanced missile, which should be available in [deleted] and with the PHOENIX missile, will be entirely adequate for the fleet air defense mission. It may be desirable to have better performance, and the design of the aircraft is such that down the line, when the advanced technology engines are developed, it will be possible to go back and retrofit them, if we wish to do that. So it would be possible eventually to get the advanced capability.

Now there is another issue here——

The CHAIRMAN. Before you leave that, you say the A might prove to be sufficient?

Mr. PACKARD. The A might prove to be sufficient. There is one more point I want to make on that.

We have a real problem with the reliability of our aircraft. I was out in the 6th Fleet a couple of months ago and the F-4s on the aircraft carriers had readiness down around [deleted] or less. I think that by concentrating on the A model and putting all of our efforts on it, we can very likely have a more reliable aircraft than we would if we went to the advanced technology engine, which is pretty far out in front.

So in addition to the conclusion I have come to that the A model is adequate for the mission, I think that by staying with the A model we are very likely to end up with an aircraft that will be more reliable. A more reliable aircraft is equivalent to having more aircraft on your carriers.

The CHAIRMAN. So you think now the A model is sufficient for the mission and also you may not go to the B?

Mr. PACKARD. That is entirely possible. I am willing to move ahead on the program even though we may never go to the B.

AIRCRAFT LEVEL

The CHAIRMAN. Your testimony is very helpful to us. If we put this back in the bill, it will be very helpful.

What assurance can you give us that this money in question will get the entire number of 48 planes?

Mr. PACKARD. I think there is no problem with the 48.

Now, we have Captain Ames here, and he is very close to the program. Maybe Captain Ames would say a word.

Captain AMES. Assuming, of course, that Grumman does comply with the terms of the contract in fiscal year 1972, the \$806 million is adequate to provide 48 airplanes and the necessary support and spares.

The CHAIRMAN. How firm can you be on that, Captain? We have a lot of cases where it doesn't turn out that way. We have other matters in this bill where we have to put up a lot of extra money to get the planned number of planes.

Captain AMES. Yes, sir. The only area of concern is, of course, with the Grumman contract. As far as the engines, the avionics, the support equipment and spares are concerned, we are sure that the \$806 million will be adequate.

The CHAIRMAN. To make sure we understand each other, assuming that the contractor goes on and carries out the contract, then you are assuring us that this \$806 million is enough to get the 48 aircraft?

Captain AMES. Yes, sir; definitely.

The CHAIRMAN. That is encouraging but how can you be so firm?

Captain AMES. The major items in the flyaway costs of the aircraft are the airframe itself, the engines and the AWG-9 system. We have a multiyear ceiling type contract on the AWG-9 system, the fire control system, with Hughes Aircraft. As a matter of fact, we are putting long-lead money on it probably tomorrow to assure that those options including fiscal year 1972 are intact.

We have statements from Hughes as late as last night that they do not foresee any problem in complying with the contract this year and in future years. We have negotiations continuing on the P-412 engines. Since we bought them last year we have a good price analysis on what they will cost in fiscal year 1972 and we have no reason to believe that there will be any significant changes in the engine prices. So with the engine prices relatively firm and AWG-9 prices firm, it, therefore, leaves the only item in issue being the airframe contract.

The CHAIRMAN. Excuse me, were you through?

Captain AMES. Yes, sir.

MONETARY OBLIGATIONS

The CHAIRMAN. So far as you are concerned, then, you think it would be sound and you don't know of any reason to object to a provision in this bill that the money shall not be obligated until the Department of Defense is satisfied that this money will bring to the Government the 48 planes?

Captain AMES. Well, there are certain problems, and that is obligation of money in order to prevent gaps in the production line of avionics and engines. For instance, it takes 16 months to build an engine and then you have to provide the engine to the airframe contractor 5 to 6 months before the finished plane is delivered. In backing down to the amount of leadtime required to manufacture, install, and check out you find that you do in fact have to obligate money starting in July and continuing at a certain rate. We have to obligate about \$131 million between now and the first of October to assure there are no gaps, but as far as the provision to assure that we buy at least 48 airplanes with that \$806 million, I see no objection to it at all.

The CHAIRMAN. It would be a tremendous factor in getting this program to weather the storm of attack, particularly in view of Grumman's statement about the contract. Do you want to respond to that?

Mr. PACKARD. I see no difficulty with that on the face of it. Let me do just a careful doublechecking and I will get word to the committee.

The CHAIRMAN. All right; I think that is highly important. Senator Smith.

DESIGN CHANGES

Senator SMITH. Mr. Chairman, Mr. Secretary, design changes are not unusual during periods like the past on the F-14, but we are told that a great deal of the additional cost has been because of the several hundred design changes. Who is responsible for those, who called for those?

Mr. PACKARD. Design changes are a part of a development program. One of the reasons why I am trying to get away from concurrency is that it is not so bad to have a lot of design changes in the development phase only, but if at the same time you are producing a number of planes and then you make design changes, you have to go back and retrofit them. Design changes, I think, are part of the regular process of development. One of the troubles, of course, is that subcontractors make commitments to supply a particular part. Most of these aircraft are put together by pieces, a tail from one—Captain Ames could tell you precisely how this program goes together—but the tail might come from one firm, the wings from somewhere else, and so forth.

The subcontractors are asked to make firm commitments on these components that they provide for the production aircraft. In the process of design, changes are made, and then the contractor goes back and asks the subcontractor to make modification so everything will go together. That is normal process. I don't think there is anything unusual here.

There are a number of design changes, many of which have been reflected in the contract, but I don't think there is anything more serious here than would be the case in any other program. And again Captain Ames has been right next to the program and might have more details to give you on that.

Senator SMITH. Captain Ames, you think these have not been excessive?

Captain AMES. The Government-responsible design changes have certainly not been and for the most part they have resulted in decreased cost and decreased weight.

I believe the changes you are probably referring to are changes that were imposed by Grumman as prime on their subcontractors. This did cause the subcontractor costs to increase and those were contractor-responsible changes in the process of developing the airplane from the initial concept to the state that it is in today. But those particular changes I think you are referring to were contractor-responsible changes and were strictly between the prime and the sub.

Senator SMITH. But that increased the cost considerably.

Captain AMES. Yes; cost to Grumman.

Senator SMITH. Yes; it has also been stated that the subcontractors have said that they could live within the original contract. If they can, why couldn't the prime contractor?

Mr. PACKARD. That is what we are telling him he has to do. That is exactly what we are saying—that we think he should. That is precisely our recommendation.

Senator SMITH. Do you think you are going to get it?

Mr. PACKARD. I think so.

Senator SMITH. Thank you, Mr. Chairman.

That is all.

Senator CANNON. One of the major subcontractors in our investigation of the matter indicated that the price had increased \$29 million and \$23 million of that was due to design changes imposed by the prime contractor, some 3,500 design changes from the time they started until the time they ended. Is that correct, Captain Ames?

Captain AMES. Those figures sound familiar, yes, sir. There were a significant number of changes directed by the prime to the sub.

Senator GOLDWATER. Which subcontractor?

Senator CANNON. The Rohr Corp. which makes the modules. They said on the first eight sets that were delivered each part was changed four times.

The CHAIRMAN. Why?

Mr. PACKARD. Let me say a word about that. First, I want to tell you I appreciate very much your letter on this subject. It was very helpful.

There is no doubt there were a number of design changes, but I think that is a normal process in any new development program. That is one of the reasons why I keep saying we have to get these development programs on a cost-plus-incentive-fee basis so these matters can be appropriately accommodated, and the development and all of the design changes can be taken care of in the development program, before we get into production. That is what we really have to find a way to do.

There were a number of design changes here. Whether there has been an abnormal number or not is hard to say, but there are bound to be design changes. Nobody can sit down and design an aircraft and have it perfect on the first cut. You have to go back and do some testing and changing and so on.

The CHAIRMAN. Would you yield to me for a question on that point?

Senator CANNON. Yes.

SOURCE OF CHANGES

The CHAIRMAN. As I understand now, this would be Grumman changing the design and making the additional demands on their subcontractors. But don't these changes come originally from the Navy?

Senator CANNON. No. The Navy sets out the specifications that Grumman must meet for the airplane and Grumman has the flexibility to make whatever design changes they deem advisable to meet the end result for the Navy.

Is that a correct statement, Captain Ames?

Captain AMES. That is correct. As a matter of fact, the Government-directed or Navy-directed changes have been minimal and for the most part directed to reduce the cost or the weight or improve the performance of the airplane, and they have been, I feel, kept well under control.

I have personally approved every change that has gone into the airplane as a Government-directed change.

They have not been excessive and quite the contrary.

The CHAIRMAN. But it was necessary for Grumman to change its position to get the result the Navy desired?

Captain AMES. Within the original specifications that they signed up to, Grumman has the prerogative to do what is necessary between the primary and sub in order to meet the specifications. Changes that are under discussion were in that category.

Mr. PACKARD. The problem comes when the subs are asked to give a fixed price for that component that they are supplying. This is important business, and you don't get it unless you accept a fixed-price contract. That is where we get into trouble. I think we can live with that situation in this contract. It is not the way I would like to have seen it, if we could have gone back and started all over again, but I don't think we should do that now.

CONTRACT COMPARISON

The CHAIRMAN. You made a study of this, as you said awhile ago, when you first came in.

Well, if you will yield to me again, make a comparison between this contract, and the one for the F-111, about the changes and alterations.

Senator CANNON. F-111 is a different contract but it was a fixed-price contract.

Perhaps one of the staff could comment on that.

Mr. GILLEAS. Yes, sir, the F-111 and the F-14 are fixed-price controls.

Senator CANNON. This is a fixed-price incentive contract.

Mr. PACKARD. I think the F-111 program had a lot more flexibility which allowed me to go back and work with the subcontractor, but it has the same problem. I have had to deal with some of the subcontractors on the F-111 program that got in the same kind of trouble. In many cases in the F-111 program, subcontractor increased costs resulted from Government-directed changes and in these cases the prime contractor passed the problems along to me. In instances where the subcontractor's problems were due to changes necessary for the prime contractor to meet specifications, the same kind of situation exists as on the F-14.

FUTURE PROBLEMS

The CHAIRMAN. How do you think it ought to be handled, Mr. Packard?

Mr. PACKARD. Well——

The CHAIRMAN. I want the record to show.

Mr. PACKARD. For the future I think it is very important that we structure these major programs so that the development is on a cost-plus-incentive-fee basis and the major subcontractors are also on a cost-plus-incentive-fee basis, because you have to make changes when you are designing a new piece of equipment. That is part of the design process and nobody can predict in advance all of the things that are going to happen. A cost-plus-incentive-fee kind of contract gives the prime and the subs some flexibility to accommodate these problems so they won't develop as problems later on.

There is the argument that you get lower costs if you have a fixed-price contract, but you just don't face up to the problems with this sort of a contract. The F-15, for example, is structured the way it should be and there is flexibility to deal with these matters. I don't say you won't have some problems with it but at least it is in the right direction.

I would suspect—and we could get this for the record if you would like a comparison—I would suspect that the number of changes on the F-111 is a very, very large number. I don't know what it would be but if you would like, we can give you that.

(The information follows:)

In response to your question concerning changes in the F-14 and the F-111 program, we have found that we do not have data on contractor-directed changes for either one of these aircraft. However, we do have data on government-directed changes. This data, while not accumulated for exactly comparable periods of time for these two aircraft, does tend to indicate that there have been fewer government-directed changes on the F-14 than there were on the F-111.

Government-directed changes (Engineering Change Proposals—ECP's) incorporated in each of the first several production F-111s on the production line numbered 709, and an additional 434 ECP's were retrofitted after each aircraft came off the production line. Although not a direct comparison, approved ECP's for the F-14 as of July 1971 (about six months earlier in the program relative to the F-111 statistics) number 52.

Senator CANNON. Well, Mr. Secretary, isn't it the fact that the cost-plus-incentive-type contract permits you to go to the fly-before-buy concept and actually develop a product and then buy that product once you have ironed out a lot of these other bugs?

Mr. PACKARD. That is the way we think we ought to go—get all the design changes and problems worked out in the development contract and then after getting those settled, going into production. You can't always separate it out completely. There are timing problems. But we are moving in that direction.

The A-X contract, as you know, is set up that way, and the F-15 is also. I think we will find there will be fewer problems with those contracts than we have had in the past.

SAVINGS FROM NOT ABROGATING CONTRACT

Senator CANNON. Mr. Secretary, I want to make the record very clear on some points here. The Tactical Air Power Subcommittee after extensively reviewing the F-14 program came to the conclusion that the best interests of the Government and taxpayers this year would be to authorize the 48 aircraft you had requested and as a consequence adhere to the existing contract between the Navy and Grumman. Do you thoroughly agree with that position?

Mr. PACKARD. I do.

Senator CANNON. Is it correct that you agree with that conclusion after thoroughly analyzing recently several other alternatives which would have reduced the number of aircraft to be purchased this year and consequently negated the existing contract?

Mr. PACKARD. That is correct.

Senator CANNON. Now, can you tell us how much money the Government will save by virtue of adhering to the contract compared to abrogating the contract if we purchase 313 aircraft which is the current approved 5-year defense program?

Mr PACKARD. I don't have those figures with me, Senator Cannon, but we can provide those for you. Yes, sir; several alternatives were considered. In one alternative, where we would cut back to 21 aircraft on lot IV it turned out that those 21 aircraft would have cost us almost as much as the 48, and I could not have brought that kind of recommendation up to the committee.

(The information follows:)

Using the cost of the current program as a baseline, i.e., buying 48 F-14As in FY 72 and procuring the remaining aircraft in accordance with the Five Year Defense Program to a total of 301 aircraft, the increased cost of buying only 21 F-14A's in FY 72 would be \$752 million, and the increased cost of buying zero aircraft in FY 72 would be \$1,414 million. This assumes an appropriate stretch, restructuring, and renegotiation of the contract with Grumman in the case of the 21 and zero FY 72 buy followed by the necessary procurement to total 301 aircraft.

POTENTIAL FUTURE PROBLEMS

Senator CANNON. I feel we should also recognize that while the exercise of the option on lot IV is the best solution for this year, this does not automatically eliminate potential future problems.

What can you tell us about the situation as you foresee it for next year?

Mr. PACKARD. It seems to me the potential future problems for next year will depend upon the success of some of the actions that we have suggested here, such as concentrating on the A model only, having a should-cost study and looking for other tradeoffs that might be made to reduce the costs. If those are all successful, I think we have good assurance we will come out all right.

In any case, I think that by looking at the situation at this time, we have a much better chance of coming out in a more acceptable way next year on the subsequent lots than we would have otherwise had. We covered that point.

There may be some losses to the contractor if we don't come up to the full 313 buy, but I am confident that we have a much better chance of coming along.

There is one issue which I haven't talked about. One alternative that we have looked at is to move the production rate up to 96 aircraft per year in the fiscal year 1973 buy rather than 48. An increase in the production rate would reduce the unit cost about 10 percent, and we are now looking at the question of whether we can recommend to the Congress the funding to do that. That action could be very helpful in getting the program back in shape. That is another alternative we have, and that will depend upon funding subsequent to fiscal year 1972.

AS AN ANSWER TO THREAT

Senator CANNON. The Tactical Air Power Subcommittee felt that the F-14 aircraft is needed by the Navy to meet the Soviet threat in the near future. Do you agree with that?

Mr. PACKARD. Yes, I have come to the same conclusion, and I agree with that.

Senator CANNON. You have agreed that it would be not wise to kill the F-14 program and commence development of a new fighter inasmuch as this would involve several years delay plus the loss of the enormous Government funds already invested in the F-14?

Mr. PACKARD. That is correct. That is one alternative we considered and I would not recommend stopping the F-14 now. I think we have a very good program and I would give my enthusiastic support to the F-14 program.

ASSURANCES OF CONTRACT COMPLETION

Senator CANNON. Senator Stennis raised a point that I think we ought to pursue a little further, and that is what assurance do we have that the contractor will go ahead? You can see the position the Congress might be in if we authorize over \$1 billion in this year's bill in an attempt to exercise the option on October 1 and the contractor says I am not going to go ahead, I can't do it.

Is there any assurance that we can get either from you or from the contractor that if we go ahead on this action that he will comply with his agreement?

Mr. PACKARD. Senator Cannon, since the Chairman has raised this issue, I think it would be appropriate for me to go back to the contractor and get a statement one way or the other for you, and this I will attempt to do. I think that is the way to handle this problem, to go back and tell him to get on the line on the matter, and I will do so.

(Subsequent to the hearing, the correspondence shown below was received by the committee.)

THE DEPUTY SECRETARY OF DEFENSE,
Washington, D.C., July 28, 1971.

Hon. JOHN C. STENNIS,
Chairman, Committee on Armed Services,
U.S. Senate.

DEAR MR. CHAIRMAN: On the 14th of July I appeared before your committee to discuss the F-14 program. At that time you asked what assurance I could provide that the money in question will get the 48 aircraft in Lot IV. I indicated that I would attempt to get a statement from the contractor on this.

Attached is a copy of the letter that I have received from Mr. L. J. Evans, Chairman of the Board of the Grumman Aerospace Corporation in response to my request for the assurances you wanted from the contractor. I believe that this letter provides adequate assurance for us to proceed with this program as we have recommended.

If there is anything I can do to assist you in this matter, please let me know.

Sincerely,

DAVID PACKARD.

GRUMMAN AEROSPACE CORP.,
Bethpage, N.Y., July 27, 1971.

Hon. DAVID PACKARD,
Deputy Secretary of Defense,
Pentagon, Washington, D.C.

DEAR DAVE: In response to your call of last week requesting a commitment from the Grumman Aerospace Corporation, that we will build (48) F-14A's as presently configured at the contract price if the Department of Defense Fiscal Year 1972 program for the F-14 is authorized and funds are appropriated, I wish to advise you that we will. We have arrived at this conclusion after extended conversations with the Navy.

As you know, we and our industrial associates, have been very concerned about the inflationary trends we have experienced for both labor and material. Our attempt to control costs has been made even more difficult by the very depressed economic conditions generally prevailing in the Aerospace industry.

It is my understanding from our conversations that the Department of Defense intends to buy (48) F-14 "A" aircraft, and in the event the program is funded and you proceed with the contract, you will clearly reflect this decision in the

contract. It is also my understanding that the Navy management team and channels of communication to your office have been revised. Both of these decisions will help the program.

Sincerely,

L. J. EVANS,
Chairman of the Board.

Senator CANNON. In your opinion, will it be in the Government's interest to work within or from the existing contract rather than to abrogate the contract and for the Navy to negotiate annually with Grumman—that was an alternative?

Mr. PACKARD. That is the only alternative the contractor would discuss. I believe it is preferable and to the benefit of the Government to work within the existing contract, and that is our recommendation.

Senator CANNON. And if we abrogated the contract, there is no question that the Government would pay substantially more for this aircraft; is that right?

Mr. PACKARD. That is right; and we would have very little leverage on the contractor, assuming we feel we have to have the F-14 aircraft.

There are some other alternatives. We could go to another program schedule but the opportunity we would have to negotiate an acceptable contract down the line would not be as good as the opportunity we have within the existing contract.

PROJECTED LOSSES AFTER LOT IV

Senator CANNON. The losses that are projected by the company in lot IV and beyond are based on company developed figures. Isn't it a fact that the company may be overly pessimistic in order to have the Government consider unilaterally restructuring the contract?

Mr. PACKARD. That is entirely possible. As I have indicated, we are proposing to have a should-cost team of auditors go up there, and after that we will have a much better idea of what the contractors' situation actually is. I suppose if we find in a year or so that there are some serious problems we will have to address them at that time. But it would be my recommendation and my approach that we should not rely on the contractor's estimates, we would have to verify them to be sure that there wasn't some attempt to try to get a change in the contract that would be inappropriate.

Senator CANNON. When do you expect to have the results back from your should-cost team?

Mr. PACKARD. I don't know precisely how long that would take but I would suspect that would take around 6 months. Wouldn't you think so, Captain Ames?

Captain AMES. Yes, sir. I think that they are going to try and provide an interim to you by the middle of September and possibly a final by November 30.

Mr. PACKARD. We would like to have something before we actually exercise the option on lot IV. We will have some additional information before we exercise the option on lot IV.

Senator CANNON. Our subcommittee felt that greater cost viability would be available next year, and, therefore, if we did authorize the go-ahead this year we would be in a better position next year to determine where we ought to go from there. Do you agree with that solution?

Mr. PACKARD. I think that is exactly right. In the first place, the development would be further down the line. If they run into some trouble in the development it could increase the cost. That could give us a problem later on. After all, we have flown only two aircraft, and really only one for several hours. We have not flown any aircraft supersonically. The first supersonic flight will be made with the next aircraft that is to fly this month. So by this time next year we will have a good deal more experience on the development and I am sure a better understanding of what, if any, cost problems there will be on down the line.

Senator CANNON. Shouldn't the Government have been somewhat aware of possible difficulties in this program in light of the fact that immediately before submitting the contract Grumman reduced their price by \$474 million and also they didn't negotiate the subcontractor contracts for a period of some 6 to 9 months, after it received the contract, and as a result those contracts were negotiated at something in excess of \$300 million over the original estimates?

Mr. PACKARD. Well, I think, Senator Cannon, we must admit that we could have been a little more careful in examining the cost reduction—I can tell you frankly that the contract was prepared and the contractor was selected before I came here, and I didn't go back and look into the period ahead of the contract. I should have done it. I think that we might have sensed that something was wrong.

The difficulty you have in any of these contracts is the same difficulty we have today. Here was a company with a good reputation that accepted a firm fixed-price contract to do the job. Now, it is kind of tough to go back and say these fellows underbid, or that they didn't bid right. You have to accept the fact that they have a good reputation, they put their name on the line to do the job, and that is what we have to live with.

Senator CANNON. Of course, they have been a good contractor with the Government for a period of time.

Mr. PACKARD. Yes, sir. You would have had a great deal of trouble saying at the time of the competition, that because they reduced the bid price you should negotiate a higher price with them. I don't know how you would do so.

Senator CANNON. Do you think that the reduction of \$474 million before submission was an attempt to buy in on the contract?

Mr. PACKARD. No doubt about it. That is the trouble we have had. We had the same sort of trouble on the C-5A, you recall. Their price was way below the other bidders.

The CHAIRMAN. Gentlemen, excuse me. I know you have more good questions. Let's share our time with the other members a little bit.

ENGINE PERFORMANCE CAPABILITIES

Senator GOLDWATER. I just have a few questions, Mr. Chairman. Captain, what is the thrust of the A engine?

Captain AMES. The thrust of the A engine right now is about [deleted].

Senator GOLDWATER. What is the thrust on the B?

Captain AMES. [Deleted.]

Senator GOLDWATER. [Deleted.]

Captain AMES. Yes, sir.

Senator GOLDWATER. And what is your mach expectancy on the A?

Captain AMES. Right now it is about [deleted] mach.

Senator GOLDWATER. What will you expect off the B?

Captain AMES. About [deleted]. The B is not thrust limited on the mach number. Aerodynamics remain the same but A is thrust limited.

Senator GOLDWATER. Mr. Secretary, you say on page 3 the review established that the development of this engine has slipped [deleted].

I have heard some rumors that they don't even want to build this engine. Is there any truth to that?

Mr. PACKARD. I have not heard any rumors to that effect. In fact, I have talked to Mr. Gwinn, the chairman of the company, and he has never said he didn't want to build it. He would like to have the testing schedule and some other details of the contract worked out so that it would be a little more satisfactory.

The latest information we have is that the first model of the B engine will be 10 months later. Isn't that the figure you have?

Captain AMES. Yes sir, the preliminary flight rating tests will be about 10 months late.

Senator GOLDWATER. And the cost has gone from \$750,000 to \$1 million?

Mr. PACKARD. There will be some increases in price in fact because we are not exercising the Navy's option for production of the B engines in fiscal year 1972. Therefore, there will be changes in the price for the F-15 engine and changes in the price for the B engines. So there will have to be a whole new negotiation on the engine cost for the B. At this time I don't think we have any really reliable figures. We are just getting into that negotiation now.

Senator GOLDWATER. What effect on the F-15 will any change in the B engine have?

Mr. PACKARD. The delay in the production of the B engines will almost certainly increase the cost of the engine for the F-15.

I have asked the Navy and the Air Force to get together and work on this problem. We do not have a firm estimate at this time, but you can be sure there will be some cost increase on the F-15 engine.

Senator GOLDWATER. I wonder, Mr. Chairman, if there would be any wisdom to conduct a study to find out why this country takes so long to develop aircraft? I was impressed at the Paris airshow how rapidly the French can achieve a new engine, and the Russians can achieve a new engine, and I know of one very popular airplane in this country—I won't mention the name—where the United States cannot supply the engine and they are going to probably buy it from France.

There has to be some reason why we are faced with this slippage in building engines where other countries are not. I am amazed that American industry is failing.

On the heavy-lift helicopter, as you know, we were told that we do not understand the state-of-the-art in building a heavy-lift helicopter and we are looking forward to 1978—7 years—before we receive a heavy-lift helicopter, and yet the Russians are making one over two times the size of ours. There must be some reason.

Do you have any ideas why American industry is suddenly failing?

Mr. PACKARD. Senator Goldwater, I do have indeed some specific

ideas on this question. My conclusion is that we have spent, in simple terms, too much time working with designs on paper and not enough time working on machinery. I am going to come up, hopefully in the fiscal year 1973 budget, if not before, and recommend some prototype programs where we give the contractor a contract without all of this damn red tape—take the “damn” out.

The CHAIRMAN. Leave it in.

Mr. PACKARD. And see if we can find a way to shortcut this kind of program. We are trying to do that with the A-X. This is moving in the right direction.

I have proposals from several airframe manufacturers that would get new prototype models that could fly in about 2 years for \$50 million or less. I am going to recommend that we do that and have some of these programs on the decks so we will have something to work with. I think we can do the same thing in engines and other component hardware. So when we come up with a recommendation along these lines, I hope this committee will give us a sympathetic hearing.

Senator GOLDWATER. I am certainly pleased to learn that you are up with this, although I am not surprised, knowing you as I do.

But I am very, very worried. I reported to the President if there were five countries represented at Paris we were No. 6. That is the first time in my life I have ever been ashamed of being an American at an international airshow. It is obvious to the Europeans as it was obvious to those of us there that we are really slipping behind in technological developments and I think your suggestion of eliminating paperwork and getting back to the lathe is a pretty good idea.

Mr. PACKARD. One of the troubles is that we sometimes spend 2 years deciding what we are going to do and conduct all sorts of paper studies and contract negotiations and everything else. I am sure we can make some progress in this area. I do not believe the American industry or American technology is that much behind. I think it is the way we have been dealing with these matters.

Senator GOLDWATER. To conclude my remarks, I saw, recently where the pile of paper it took to start one road project in Illinois was something like 14 feet high, and it was not a very large project.

The CHAIRMAN. I want everyone to have as much time as they wish. We do have another matter. The Navy is standing by on the ship matter and I hope all members can stay.

Senator McINTYRE. I will limit my questions to a couple of areas and any other questions I have I can submit for the record.

A MODEL VERSUS B MODEL

The first thing, Mr. Secretary, your solution indicates to go with the A model. In the research and development area we are very sensitive to the fact that we get involved in large expenditures of funds and we do not really increase our ability or competence in a sufficient amount to justify the cost.

Now, in your answer, in your statement, it seemed to me as you talk about the A model, F-14A, that you leaned pretty heavily on the PHOENIX missile.

Now, do you believe making this decision to go with the A when we know just from the way that the statement starts out, it says that in 1969 the idea was to get the A but as soon as the B was ready, to move to the B, the Navy really wants the B?

So, are you satisfied your solution to the problem is going to give us a substantial increase in our ability, capability would be better, for the money that the taxpayers of America are going to have to lay out?

Mr. PACKARD. Yes, Senator McIntyre, that was a question that troubled me also. I was very much concerned about the B because it is a question of the thrust-to-weight ratio which determines the performance of the plane, and the new engine would give the B a better thrust-to-weight ratio. But I concluded that the A is an adequate and sufficient step forward to justify going ahead with the program.

The PHOENIX missile has been in development for some time and in a sense that may be a good thing because they seem to be coming along well with that program. Their testing has gone well.

I was out at Point Mugu a few months ago and visited the testing facility. I think the problems that they had a year or two ago are well along toward resolution if not pretty well resolved. So I think we will have a good increase in capability.

There is always the question of how far you try to reach, and sometimes we try and reach too far and it is a very difficult matter to decide. But I am satisfied in this case that we should go with the A, that it will be a good improvement and the best course.

GRUMMAN CORP. PROBLEMS

Senator McINTYRE. Mr. Secretary, yourself and the Congress have been very much concerned with some of these companies that are getting into difficulties with the fixed-price development contracts. Now, do you feel that your solution to this is going to give the Grumman Corp. a chance to get well? It is obvious there are other solutions you could have gone to that would have given Grumman a better chance to get well. Are we going to be plagued with Grumman a year from now or 2 years from now up here looking for one of these loans that the banking committee brought out yesterday? Is Grumman going to get a chance to get well?

Mr. PACKARD. Senator McIntyre, I think Grumman has a chance to get well. I won't tell you today that we will not have problems down the line. We may have some problems down the line.

I think Senator Cannon put his finger on it earlier. We will be in a much better position to assess this matter a year from now than we are today, and I did not see how we could come up with a change in the contract at this time. I think we have taken some steps which if successful, will enable us to get the program on the right track. If they don't work we may have to make another decision a year from now or later.

Senator McINTYRE. Did you tell the Navy it could drop the B engine and substitute the P-100 engine now on the F-111?

Mr. PACKARD. No.

SUBSTITUTE ENGINE

Senator McINTYRE. Are there any other engines other than the P-412 now in use which would involve new negotiations with Grumman which would enable the company to get well?

Mr. PACKARD. The only other engine under consideration is the advanced technology engine, and that would involve new negotiations with the company.

Senator McINTYRE. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman.

TOTAL BUY

How many F-14s in total does the Navy plan to buy?

Mr. PACKARD. The present plans are to have a firm program for 313 aircraft. This is a significant cutback from the original plans which called for in excess of 700. The current plan is within the 5-year defense planning period. Downstream there may be additional planes, but we are now planning on 313.

Senator BYRD. What would be the contract price for the 313?

Mr. PACKARD. I don't know that I have that price right off the bat.

Captain AMES. Airframe alone?

Senator BYRD. For the completed plane.

Captain AMES. We are estimating it would be \$3,814 million for the production costs of 301 aircraft.

Senator BYRD. Flyaway cost?

Captain AMES. Support and——

Mr. PACKARD. That is for support and production.

Senator BYRD. That includes the spares?

Captain AMES. Yes, sir.

Senator BYRD. What I am trying to do is, you plan to buy 401 F-111s for a total of \$6.7 billion. Is that the figure you gave me that is comparable, do you happen to know, to the \$6.76 billion?

Mr. PACKARD. I believe it would be 442 F-111s at a total program cost of \$6.67 billion, Senator Byrd. The comparable data for the F-14s would be 301 aircraft at a total program cost of \$5.21 billion. As you know, the program cost includes the development as well as the production costs.

Senator BYRD. Thank you.

LINE OF COMMAND

You state that the Navy has simplified and improved its internal management of this program. There is now only one line of command from the program manager to the Chief of Naval Operations and Secretary of the Navy.

To whom does the program manager report?

Mr. PACKARD. It is to Admiral McClellan, commander of the Naval Air Systems Command.

Senator BYRD. You say there now is only one line of command. Was there more than one line of command?

Mr. PACKARD. The general structure in the Navy is as follows: They have a Chief of Naval Materiel who is responsible for procurement and then they have the operating staff. I don't remember the names of all of them. But the trouble is that they have two channels, and the Chief of Naval Operations and the Secretary have agreed that this matter should be clarified. It may be different on different programs, but at least there will be a straight line of responsibility.

Senator BYRD. I have only one other question, Mr. Chairman. It doesn't deal with the F-14.

The CHAIRMAN. That will be all right if you want to ask something else.

Senator BYRD. Thank you, sir.

SS-9 THREAT

In the Post this morning, Mr. Secretary, your testimony before Foreign Relations was quoted in regard to the ABM, and as I recall the Post article, the thrust of it was that you were not concerned about the SS-9.

Mr. PACKARD. As of now.

Senator BYRD. As of now.

Mr. PACKARD. Right now. That is the key.

Senator BYRD. But the Secretary last year made a very strong plea for the ABM because of the threat of the SS-9.

Mr. PACKARD. Well, he was concerned as I am about the possibility that the accuracy of the SS-9 will be improved—for its three warhead version—so that it could pose a threat to the survival of the MINUTEMAN. But the Secretary said, and I think if you go back you could verify this, that as of today it does not pose such a threat. That is essentially what I tried to convey yesterday. I made it very clear that the Russians do have in my view the capability of making the necessary improvements in the SS-9 in the future so it could pose a serious problem for us. I just wanted to—

Senator BYRD. What passed my mind this morning in reading that article is as one who voted for the ABM on the tie vote it seems to me that this is going to hurt our position a little bit, I don't know.

Mr. PACKARD. Well, I think we will do what we can to correct that impression if you think it is going to be troublesome. But we have I think tried to make it clear that as of today they have neither the numbers nor the accuracy. But they are moving in that general direction and by the time we have the ABM operable they could easily be in a position to have that capability. That is really what the issue is.

Senator BYRD. Thank you, sir.

The CHAIRMAN. Thank you, Senator.

Senator Jackson. We are glad you got here. I just have one question.

ORDER REDUCTION TILL PROVEN

Mr. Secretary, I am sorry I was delayed. I am wondering if it wouldn't be wise instead of ordering the 48 As that maybe cut that in two, 24, until we know where we are really going here. I just wonder whether it is wise to go for the full amount. I understand fully the problem that you have run up against in connection with the B model, that is the engine, which affects the F-15 too.

Mr. PACKARD. Yes, sir.

Senator JACKSON. But I am wondering if we should go for this entire amount of 48. That is my only question. I believe we have to put some planes in, but I just wonder whether we should go for the full.

Mr. PACKARD. Well, we have attempted to work out in the negotiations with Grumman some alternatives—for example, a restructured contract going to a smaller number of aircraft. One of the issues that you always get into in looking at this sort of program is the balance between when production is ready, when development is finished, and what the production level should be. By taking the Bs out for now, we have eliminated at least one of the concurrency problems that was inherent in the program, and that should be helpful. We believe that in order to have some hope of meeting the costs that are in the contract we will have to go with the 48 aircraft.

We could go with 21, but if we went with 21 that would open up the contract. I think that is probably the key issue.

Senator JACKSON. I don't want to open up the contract but I just wonder, it bothers me, in light of all of the circumstances here, the wisdom of going for the full 48. I wouldn't suggest anything that will open up the contract.

Mr. PACKARD. Well, I think that is the issue.

Senator JACKSON. If you go under 48 you reopen the contract?

Captain AMES. Forty-eight is the minimum. As a matter of fact, if you did reopen the contract you would pay essentially the same for 24 airplanes as you are now paying for 48. So you get about 24 air planes free.

Senator JACKSON. As I understand the situation, there is no difference here in the actual time of the deployment, that you deploy them, of course, when they become all operational by squadrons, so that it wouldn't make any difference whether we authorized less than the 48 now or half of that number, 24.

Mr. PACKARD. That is what we attempted to do, Senator Jackson. We were unable to work out any arrangement with the contractor to do so, and we think on balance that it is very important to stay with the contract.

Senator JACKSON. I agree with the statement you made. I just glanced through it. The nonsense of fixed-priced contracts, I never did believe in them, because they are fiction.

That is all.

The CHAIRMAN. Thank you very much.

Senator Cannon, I think you had some more questions.

Senator CANNON. Yes.

The CHAIRMAN. Would you let me just request that those that you can, please put in the record.

Senator CANNON. There are several I think the committee members present ought to hear.

The CHAIRMAN. I am interested in them.

PROGRAM COST

Senator CANNON. Getting to Senator Jackson's point, isn't it a fact that if you were to go to 21 F-14s in lot IV, the contract would cost you some \$700-plus million more than if you remain with the existing contract?

Mr. PACKARD. We have several estimates of what the program would cost depending upon what the production is and so forth.

The total program cost to buy only 21 F-14s in lot IV with certain modifications would be \$752 million more than staying with the existing contract. We just couldn't recommend that.

Senator CANNON. One of the concerns I am sure is in everyone's mind, Mr. Secretary, is this question of whether by staying with the contract we are likely to force a very fine major corporation in the country into bankruptcy, and no one wants to do that.

I would like to ask you whether you believe there is any likelihood that exercising the option on 48 aircraft in lot IV this year would be likely to force this company into bankruptcy or force them to initiate action for relief under public law and existing ASPR?

Mr. PACKARD. Senator Cannon, exercising the lot IV option in fiscal year 1972 will not in itself, in my opinion, have any serious likelihood of forcing the company into bankruptcy. It is a question of what we do in the program beyond 1972. It is in that time frame when we might have some difficulty. I think we can undertake this 1972 action with assurance that the company should have no trouble with it in any case.

Captain AMES, you might give the committee your view. You are the one who is living with it, and you are going to have to make this work or not.

Captain AMES. No, sir; I agree with Secretary Packard, I don't think there is any possibility that going with the lot IV option will bankrupt Grumman and it is highly probable that continuing with the 301 aircraft under existing contract would not bankrupt Grumman, and this was considered in recommending that we go forward with the contract as written.

Senator CANNON. Well, you sent the Navy audit team in to audit Grumman as a corporation. Is it a fact that the team reported that Grumman as a corporation would realize a profit during the production of the lot IV aircraft, which is during calendar year 1973, on all of their corporate business?

Mr. PACKARD. Yes, the overall corporation. That is essentially the case. There might be some loss on lot IV depending upon the extent to which we can take some actions that will help them keep their costs down. But again, it is the out-year program that we are concerned with.

P-100 ENGINE

Senator CANNON. Senator McIntyre raised the question of the P-100 engine.

The P-100 engine is developed, is here now and has considerably more thrust than the 14-A engine, the P-412.

Have you considered the advisability of going to the P-100 engine and what would be involved?

Mr. PACKARD. That issue has not been addressed in any detail to me. Do you know, Captain AMES?

Captain AMES. We looked into it in quite some detail about a year and a half ago when the P-100 was first being developed and at that time our objections to it were that it didn't constitute a step, a large

enough step in the state of the art to warrant the R. & D. expenditure. Since that time the engine has been developed. However, the major increase in the thrust is at static sea level and this improvement in performance doesn't extend through the entire operating performance of the airplane. It would require about \$20 to \$30 million development costs and about 2 years' time to modify the existing P-100 engine and to put it in the F-14 airframe. You would have to qualify a new nozzle, new afterburner, new mount system, certain structure on the aircraft, and accessory gear boxes. To answer your question, yes, we have looked into it; no, we don't feel that it is a viable alternative because of the cost and the limited improvement provided by the engine.

Senator CANNON. Just one further subject, Mr. Secretary.

INFORMATION ON GRUMMAN FINANCIAL PROBLEMS

The Tactical Air Power Subcommittee closely held all of the proprietary data that it received with respect to projected losses by Grumman. Now we did this in order not to unnecessarily damage the company and in keeping with the provisions of the law, namely, title 18, United States Code, section 1905.

In light of the disclosures made, and I am referring now to certain figures that were placed in the record by one of the Senators, that obviously were furnished him by some source with access, do you feel that the committee should regard any of this information as proprietary, because it is difficult for us to discuss this program thoroughly without bringing out all of the germane facts.

Mr. PACKARD. It is a difficult question for me to answer offhand. My general view is frankly that we would be better not to bring out the material that is proprietary. I think if you feel that that ought to be done, it should be done with the approval of the parties involved. I doubt very much that Grumman would give you approval to do it. I would prefer that it not be made public if you feel you can live with it. One of the difficulties with making these figures public is that it is never very easy to provide all of the background and put them in the right context and everything else and there is much chance of their being used out of context. In fact I would certainly prefer they not be made public.

Senator CANNON. Have you made any effort to find out whether the information that was made available was made available through Government sources?

Mr. PACKARD. We have almost a continuous investigation of those particular items over there and we have so far been unsuccessful in determining the source of figures.

PREPARED QUESTIONS FROM SENATOR CANNON

Senator CANNON. Thank you. I will supply other questions for the record.

(Questions submitted by Senator Cannon. Answers supplied by the Department of Defense.)

Question. Do you think that Grumman has a legal basis for relief at the present time or under lot IV?

Answer. There is no indication that Grumman has a legal basis for relief either at this time or under lot IV. The provisions of Public Law 84-805 clearly state that relief may be granted to cover correction of mistakes, formalization of informal commitments, or where an actual or threatened loss will impair the productive ability of a contractor. None of these categories apply to the F-14 contract or to the Government's analysis of the financial posture of the Grumman Corporation.

Question. Do you agree with the Navy audit teams finding that Grumman as a corporation will realize a profit during the production of lot IV, which is during calendar year 1973?

Answer. It appears that the Grumman corporation could make a profit and certainly if any loss were suffered it would be an insignificant amount.

Question. Are you optimistic about the 16-plus flights that the F-14 has had so far, including about 36 hours in the air? In other words, are you satisfied with the performance of the aircraft to date aside from the cost aspects?

Answer. Yes, the performance of the #2 F-14A has been very satisfactory and has increased our confidence that we have no major technical difficulties. Of course, this aircraft has confined its investigations to the low speed portion of the envelope.

Question. We were advised that even after Grumman reduced its bid \$474 million that two other companies still were lower bidders than Grumman. Does this agree with what you have been advised?

Answer. Grumman reduced its bid by \$474 million after the elimination of three of the five competitors. It is true, however, that the final Grumman bid was still slightly higher than two others including McDonnell and one of the companies previously eliminated on technical grounds.

Question. Do you feel this keen competition for the F-14 contract drove competition costs to an unrealistic low level?

Answer. There is no doubt that competition for major contracts that come along infrequently tends to drive the bids to the lowest level. It is difficult to determine in advance the difference between the lowest possible viable bid and one which is too low to perform. This is a business risk that normally is assumed by the competitors in a free enterprise environment.

Question. The largest single item in Grumman's projected loss is potential claims from subcontractors. It amounts to [deleted] percent of their projected loss of [deleted] million. Does this information coincide with the data that you have?

Answer. Yes, although the Grumman figures have not undergone a full audit as yet. The "should cost" study now getting underway will provide more and better quality data on which to base future projections.

Question. Yet, it is our understanding that very few of the subcontractors have lodged claims against Grumman for increased costs. Therefore, is it possible that some people may be prematurely judging the projected Grumman losses, particularly as it pertains to their subcontractor claims?

Answer. It is entirely possible that Grumman's projected losses may be overstated and premature. This is one reason for establishing the "should cost" study, and one of the factors taken into consideration in arriving at the recommendation to proceed with the current contract for FY 72.

Question. The Tactical Air Subcommittee was impressed with the fact that Grumman did make a profit on lots I-III, and yet the four major subcontractors of Grumman had sustained significant losses on the first three lots. Would this appear to be reasonable to you?

Answer. Work has not yet been completed on lots I-III, and therefore, it is premature to state whether or not Grumman has made a profit. However, it appears that the magnitude of a gain or loss will not be a significant factor in the overall situation. As for the gain or loss to the subcontractors, it would depend upon the type of contract that Grumman has with its subcontractors. It is not beyond the realm of possibility that the prime contractor could make money while the subcontractors at the same time could lose.

Question. Does your information indicate that the major subcontractors have a not-to-exceed prices for lots IV-VIII? If this is the case, then it would appear that the major subcontractors are "locked in" with Grumman and that working within the Navy-Grumman contract structure that rather precise financial information should be available soon on the wisdom of proceeding with lots IV-VIII under the contract. Do you agree?

Answer. It appears that the major subcontractors have contracts with Grumman that are similar in structure to the one that the Government has with Grumman for the airframe, i.e. "not-to-exceed" type. The "should cost" study effort, however, we are quite certain that proceeding with lot IV under the terms of the contract will not impair the contractor's ability to produce.

Question. If this is correct, would it not be fair to assume that Grumman in the production of additional aircraft could largely recover this loss?

Answer. As in the case of any large scale production operation, extending over a number of years, improved efficiencies in manufacturing operations, procurement of materials, reduction of unproductive overhead, and expansion of other business base can change the profit/loss picture. There is little doubt that some improvement can be made in some or all of the foregoing which would tend to decrease any losses that may be suffered.

Question. What caused the Department of Defense to change the program from 469 aircraft contained in the contract with Grumman down to the current program of 313 aircraft? (12 R & D and 301 production aircraft)

Answer. The 469 aircraft was a baseline quantity for contractual purposes and was originally predicated on the quantity necessary to provide six R & D aircraft, 287 aircraft for the Navy and 176 for the Marine Corps. This would have been sufficient to replace one half of the operating F4s in the Navy through the FY 76 time period. It was recognized at that time that variations in the program were likely, and a provision to vary annual production lot quantities by plus or minus 50 percent was contained in the contract. The current program of 313 aircraft is based on the original contract baseline modified as necessary within the 50 percent provisions of the contract to comply with projected fiscal constraints. Furthermore, the 301 aircraft program is through FY 75 only.

Question. If the government were to unilaterally restructure Grumman's contract would this not establish a very questionable precedent; namely, when any government contractor anticipates future losses he then requests the government to rewrite his existing contract?

Answer. Yes, it would establish a questionable precedent, and this was one of the factors considered when the decision was reached to proceed under the existing terms and conditions of the current contract.

Question. What are the costs of Navy directed design changes to date?

Answer. As of 15 July 1971 52 changes have been directed by the Navy for a total non-recurring cost of \$16.1 million and an average unit recurring cost of \$69 thousand based on 301 aircraft.

Question. Mr. Secretary, is the F-14A engine performing better or worse than the Navy specified in its contract?

Answer. The TF30-P-412 engine is performing better than the specification requirements.

Question. Does it have greater thrust than was specified?

Answer. Yes, the thrust is higher than the original specifications particularly in afterburner operation.

Question. Does the F-14A engine have better specific fuel consumption than was originally estimated? What does this mean?

Answer. The engine does have better specific fuel consumption than was originally specified. This means that the range of the aircraft would be better, and converted to loiter time the time on station will be longer, than would have been the case with an engine as specified.

Question. Does it weigh less than the Navy originally specified?

Answer. The original specification called for an engine weight not to exceed 3971 pounds. The engines delivered to date are 80 pounds or more under this weight.

Question. The Navy advised the Cannon Subcommittee that the F-14A compared to the F-4J is 45 percent better in acceleration; 50 percent better in rate of climb; has a 64 percent better roll rate; 33 percent greater SPARROW launch range; 200 percent longer radar range; and 80 percent better combat radius than the F-4J. Do you agree with the Navy figures? If not, please provide your data on this subject?

Answer. The percentages quoted are essentially correct for the specific conditions considered in arriving at the figures. When aircraft are being compared with respect to performance, the ground rules and configurations must be thoroughly defined to permit an evaluation of the utility of that comparison.

Using Navy data for the two aircraft and using ground rules and configurations as delineated below, the OSD and the Navy are in agreement on the following assessment of comparative performance.

The F-4J is normally operated with a 600-gal. external fuel tank on all missions. The Navy plans to employ the F-14A without external tanks on fighter missions. The two aircraft were therefore compared on the basis of take-off fuel available in these fuel configurations and with comparable fighter mission weapons configurations. With each aircraft at approximately 60% of take-off fuel remaining, the F-4J being considered to have jettisoned its empty external fuel tank prior to the performance calculations, the F-14A has a greater than 50% improvement in time required to accelerate from M.8 to M1.8 at 35,000 feet and has improved rate-of-climb performance ranging from 15% to 55%, depending on the altitudes and Mach numbers considered.

Applying the same fuel and configuration ground rules and assuming two minutes of operation at maximum afterburning at 10,000 feet, the F-14A has approximately 25% longer combat radius. When combat radius is computed based only on the internal fuel capacity of the two aircraft (i.e. the F-4J is not equipped with the 600-gal. external fuel tank) the F-14A has approximately 75% longer combat radius than the F-4J. The significant point is that the F-14, without tanks, has a combat radius compatible with attack aircraft that it will escort. This will alleviate the logistics, shipboard storage and handling problems associated with external fuel tanks.

In evaluating the roll performance contribution to combat agility, the bank angle change obtainable in one second was compared at both high and low altitudes. The data indicates the F-14A to be about 45% better than the F-4J in this measure of roll effectiveness.

Radar range comparisons can be based on purely mathematical analyses or on operational data. Based on a combination of considerations, under a variety of operational scenarios, the F-14A is assessed to have a 100% increase in radar range over the F-4J.

The 33% greater Sparrow launch range is associated with the relative CW illuminator power output of the two missile control systems and is technically correct in certain cases.

Differences between this data and the data previously provided to you is simply a function of the ground rules and configurations employed. I believe the above OSD/Navy data provide a comparative evaluation that is useful in assessing the performance of the two aircraft.

Question. Do you believe the Navy should proceed with the purchase of the F-14B engine as soon as it has technically proven itself?

Answer. This will have to be decided at a later date when factors of cost, schedule phasing, F-14A adequacy for future threats, etc. are better defined.

The CHAIRMAN. If there are no other questions, Mr. Secretary, we thank you very much, and you, too, Captain Ames.

May I say a word to Captain Ames. I have long felt the services have to put more of their better talent on these larger contracts. I am glad to see you here, Captain Ames, glad you came with Secretary Packard. You are in a highly important position and we are delighted

that you are going to stay with it and give it continuity. You give it all your time, do you not?

Captain AMES. Yes, sir.

The CHAIRMAN. I know Senator Smith is interested in the same subject matter.

Senator SMITH. I think the continuity as far as people like Secretary Packard and Captain Ames are concerned is really most vital—to go on job and get it done and be off from it.

COMMITMENT TO PROCEED

Senator CANNON. May I ask just one more question. Do I understand correctly now that before we get this bill out and fight this issue out on the floor, the Secretary is going to get some kind of commitment from the corporation as to whether they are or are not going to go ahead?

Mr. PACKARD. Yes, sir; I think we have to have that.

The CHAIRMAN. I think so, too. But we can put some provisions in this bill, too.

Senator CANNON. Put some language in the bill.

The CHAIRMAN. Yes, that will touch on this very point.

Senator CANNON. We can put in that they cannot buy a lesser number of aircraft for the amount of money presently requested.

Mr. PACKARD. I have just one minor item here—it may not be so minor—that I want to call to your attention. Captain Ames has already alluded to it. We will need to release \$12.7 million to Hughes for the AWG-9 program to continue that and we need to release \$26 million to Pratt & Whitney for the engine program during July. This is obviously going to be in advance of your action. It will be under the continuing resolution. But I wanted you to know that we propose to release both of these items. We are legally able to do it but since you are discussing the program, I wanted the committee to know that.

The CHAIRMAN. Thank you very much. You will have to handle that as best you can.

Mr. PACKARD. And the other matter is this: I reviewed the S-3A program yesterday with the project manager. I have a statement here on that and I am going to make some recommendations. The particular recommendation is that we should keep the quantity at 13 aircraft instead of cutting it back, because if we do not keep this quantity of 13 we are going to have serious cost problems. If we keep it at 13 we believe we can now stay within the contract ceiling. And I can give you a statement on that. I can talk about it now or later, at your convenience.

The CHAIRMAN. Well, I wish we could go into it now but we really have another obligation.

Mr. PACKARD. Let me just leave this statement with you.

The CHAIRMAN. All right, we will let the staff look at it and place it in the record.

(The statement follows:)

I would like to ask your support of the S-3A program as submitted in the FY 72 Budget.

As you know, the FY 72 program includes funds for lot III, the first production S-3A aircraft. Our contract with Lockheed affords the option in lot III for

the production of a minimum of seven aircraft and a maximum of 26. Our original plan called for producing 17 aircraft; we subsequently reduced this quantity to 13 aircraft. I urge that you authorize production of these 13 aircraft. A lower production quantity will cause a significant increase in unit production costs in lot III and probably subsequent lots, create turbulence in the subcontract structure and present very serious financial problems to both Lockheed and its subcontractors.

Yesterday I reviewed the S-3A program with the project manager, Captain Fred Baughman. Based on this review, I can report that this program is on schedule and I believe can be held within ceiling based on our current production plans. In reviewing this program, I was impressed with the size and importance of the subcontract structure it depends upon. Almost 75% of our production dollars will go to subcontractors rather than to the Lockheed Aircraft Corporation. This subcontract structure has planned its production schedules based upon our plans for 13 aircraft. Negotiations with the subcontractors have demonstrated that production of a fewer number of units will increase unit prices by a minimum of 15%—in some cases bids increase more than 50% for minimum production quantities. In addition, it now appears that with the planned production of lot III, the subs will attempt to establish and maintain their basic production lines for subsequent full scale production. Lower production quantities will lead to one-time production efforts with lines to be reestablished rather than maintained for subsequent production. Such production scheduling by the subcontractors will result in inefficiencies, loss of worker skills and perhaps the skilled workers themselves. Finally, my discussion with the project manager brought out the fact that some number of these subcontractors share the problems of many Defense contractors—declining business base and difficult corporate financial problems. I believe that there is a good chance that some of these contractors could not remain viable at minimum S-3A production quantities.

I want to assure you that my support of this program is based on its progress, not its problems. We are on schedule in the development. We expect to conduct in-flight testing of the entire avionics package this fall in a P-3 test bed. First flight of the S-3A is scheduled, and I believe will be met, around the first of the year. I fully expect that all of these milestones will be met *prior* to the 1 April date when we must make our decision on the first production lot—lot III.

This program has my support and I request yours in authorizing the production of 13 aircraft in lot III.

The CHAIRMAN. Thank you very much for coming in.

(Whereupon, at 11:45 a.m., the committee proceeded to other business.)

MILITARY AUTHORIZATIONS, FISCAL YEAR 1972 PATROL ESCORT PROGRAM

WEDNESDAY, JULY 14, 1971

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to notice at 11:45 a.m., in room 212, Old Senate Office Building, Hon. John C. Stennis (chairman) presiding.

Present: Senators Stennis (presiding), Jackson, Cannon, McIntyre, Byrd, Jr., of Virginia, Bentsen, Smith, Dominick, Goldwater, and Schweiker.

Also present: T. Edward Braswell, Jr., chief counsel and staff director; John T. Ticer, chief clerk; R. J. Woolsey, general counsel; L. R. Garcia, Charles Cromwell, Don Lynch, George Foster, Edward Kenney, professional staff members; James Kendall, chief counsel, Preparedness Investigations Subcommittee; Ben Gilleas, director of investigations, Preparedness Investigations Subcommittee, and Frances Funk, staff aide.

The CHAIRMAN. We are sorry we didn't get to you gentlemen earlier but the Navy had another matter.

This is your screen?

STATEMENT OF ADM. RALPH W. COUSINS, U.S. NAVY, VICE CHIEF OF NAVAL OPERATIONS

Admiral COUSINS. Yes, sir.

The CHAIRMAN. Members of the committee, we will now start the hearing announced yesterday with reference to the added proposal for a new family of ships. I said yesterday we had a budget recommendation on this, however, I find today that it has not arrived and we are holding this hearing on the expectation that we will receive a budget estimate.

Admiral Cousins, you are in charge of the presentation, and you have Adm. Frank Price and we know our friend here, Admiral Johnson. We are delighted to have you and just proceed in your own way. I know you have a good statement here but it is not necessary to read it unless you think it is. We will put it in the record and summarize it or you may read it, if you wish.

Admiral COUSINS. I would like to read it, it is quite short. I would say at the outset this is one of Admiral Zumwalt's major initiatives and I am sure he would want to be here. He is in Europe and gets back at 7 o'clock tonight.

During his appearances before this and other authorization and appropriation committees of the Congress, Admiral Zumwalt described the sea control force levels supported by the fiscal year 1972

(4233)

budget as high-risk base-line forces, from which we must build in consonance with our national security strategy. He explained that the Navy had opted to accept a lower than prudent level of current forces in order to permit a minimum acceptable level of development and modernization. Of considerable concern to us is the fact that our escort force levels are not sufficient to perform the wartime tasks of escort of convoy, coordinated antisubmarine operations with patrol aircraft, and other operations other than the protection of naval forces.

CONCEPT FORMULATION

Last fall, when the fiscal year 1972 budget was formulated, the patrol escort weapon system was in the conceptual stage of development. Consequently, when we discussed the budget with you in March, Admiral Zumwalt was only able to report to you that this new initiative was forthcoming and that we were striving to commence procurement in fiscal year 1973. Our plans for the patrol escort were proceeding in an orderly manner, but were not then ready for presentation.

I am pleased to state today that we have completed concept formulation and are commencing preliminary design of the patrol escort. The Secretary of Defense, after studying the proposed patrol escort program and the military need underlying it, has requested and received the support of OMB to amend the President's budget, now under consideration by this committee, so as to provide \$51.6 million in fiscal year 1972 to initiate this important naval shipbuilding effort. This is long leadtime advanced procurement money, not authorization.

Rear Admiral Price, who has accompanied me today, will present to you the details of the patrol escort program. But before he begins, I would like to provide you with general information as to the mission of the patrol escort, the need for it, and its relation to the other escort forces of the Navy.

MISSION

The patrol escort is designed to alleviate the urgent need for relatively large numbers of capable but less expensive ships for the sea control mission of the Navy. It will join with the DD-963 and the ocean escort programs in replacing aging World War II escorts and bolstering our escort force levels. Whereas the DD-963 class ships will have the speed, endurance, redundancy, and sophistication to operate with our attack carriers in a high-threat environment, the patrol escort is designed for the lower end of the naval warfare spectrum. Its mission is the support of underway replenishment groups, amphibious assault groups, and task groups operating without carriers in other than high-threat areas. In essence, this is a convoy type operation, similar in its tactics to protection of groups of merchant ships. The characteristics of the patrol escort have been carefully optimized for that mission. As such, it will be the follow-on program to the ocean escort. We confidently expect to produce the patrol escort, with an advanced propulsion system, an advanced area missile defense, a surface-to-surface missile, the HARPOON, and an excellent antisubmarine warfare configuration at a cost reduced below that which would be required to produce an updated ocean escort.

LEVEL OF ESCORTS NEEDED

A determination of the number of escorts needed is basic to the justification of any escort program. I will not belabor the fact that our modernization programs have lagged the increasing obsolescence of our World War II escorts. This is well known to you. The fact that the active fleet inventory has been reduced from 926 ships at the end of fiscal year 1969 to a projected end fiscal year 1972 total of 658 may also be familiar to you.

Considering fleet force levels of carriers and amphibious assault ships, our updated major fleet escort study indicates a minimum escort force requirement of about [deleted] in a low threat environment. It is important to note that this number will not provide escorts for military convoys in the Pacific, or for any mercantile convoys. The difference between the [deleted] odd escorts we expect to have in 1980 and the [deleted] which our analyses indicate that we will require as a minimum in that time period constitutes a gap which the patrol escort program is designed to reduce.

The Navy considers that convoy-type protection for noncombatant ships will continue to be essential in the 1980's and subsequent. We know that the [deleted]. And even ships following independent routes must converge at known departure, entry, and choke points. Non-combatant ships are noisy, easily detected by submarines—and they are slow in comparison with nuclear submarines. Even if we had 35-knot cargo and troop ships, a 30-knot submarine would have an 85 percent chance of closing any merchantman it detected.

EFFECTIVENESS AGAINST THREAT

Although I certainly do not wish to belittle the Soviet cruise-missile submarines, our studies show that they do not negate the value of the convoy-type protection for noncombatants. This is due to several reasons:

(1) In 1980, of the total weapons carried by Soviet attack submarines [deleted]. That is where our convoy ships come into being. The convoy system, proven in two world wars, will still offer the best defense for noncombatants.

(2) The planned escort force (including the patrol escorts) will be effective even against a missile threat. [Deleted.]

I would also point out that escorts in all likelihood will be the only antisubmarine weapons system which can prevent unacceptable shipping losses from submarine attack in the early months of a conflict. Our other systems—antisubmarine aircraft, attack submarines, mines, and the like—will be employed against Soviet submarines largely in tactics other than escort operations. It will require considerable time to wear down the Soviet submarine force through the cumulative efforts of all of our antisubmarine systems.

Up to now, I have discussed the military factors which dictate reliance on convoy-type protection for noncombatants and which drive the need for escorts. There is also a significant psychological factor. Independent ships are defenseless and our merchant mariners well know it. We are much less likely to muster the necessary merchant shipping for our war needs if we do not use a convoy system.

CONCLUSION

In conclusion, Mr. Chairman, the patrol escort program is indeed a new departure. It represents a break with the trend toward ever-increasing cost and complexity. It is the product of hard decisions on the part of the Navy and involves the minimum amount of research and development consistent with the projected threat. I strongly recommend your support of this shipbuilding program which is vitally needed to offset the gap between our escort needs and our present inventory.

Mr. Chairman, with your permission, I would now like to present Rear Adm. Frank H. Price, Jr., the Director, Ship Acquisition and Improvement Division, who will describe the Patrol Escort program.

The CHAIRMAN. All right, Admiral. We are glad to hear from you, Admiral Price. You have a prepared statement, I am sure?

STATEMENT OF REAR ADM. FRANK H. PRICE, JR., DIRECTOR, SHIP ACQUISITION ESCORT PROGRAM

Admiral PRICE. Yes, sir.

The CHAIRMAN. Do you wish to read it?

Admiral PRICE. Yes, sir, I would like to go over some of the points.

The CHAIRMAN. Let's see if all members have copies, please. You supplied us with copies, I am sure.

Admiral PRICE. Yes, sir.

Senator BYRD. Mr. Chairman, Senator, could I ask the Admiral would it help the committee to understand this if you could tell us in advance how this new ship would compare with and differ from the destroyer.

Admiral PRICE. Yes, sir. A destroyer, sir, is a class. A general purpose ship. Today our destroyers have to have the inherent capability to go with the fast carrier task forces. They have to have the gun capability supporting amphibious forces that its mission requires and it must have a very sophisticated command and control system to operate with the carrier task forces in order to coordinate all of the action. They also, of course, are equipped with very fine sonar systems and things of this nature.

The CHAIRMAN. Which one are you talking about?

Admiral PRICE. The destroyers, sir. In comparison, the PF ships don't have a requirement to escort the carrier task forces, their command and control systems are much simpler. They don't have as much endurance or as much sea keeping capability. They are smaller ships so we can have them in the numbers and at low cost which we need. These ships do not have a requirement for supporting amphibious landings. It is a down the scale ship, as Admiral Cousins has mentioned.

Senator BYRD. Thank you. That gives me a better understanding.

The CHAIRMAN. Thank you, Senator.

JUSTIFICATION OF FUNDING REQUIREMENT

All right, Admiral, we are glad to have you and you proceed. You have charts in connection with your testimony?

Admiral PRICE. Yes, sir, as Admiral Cousins has mentioned, we are presenting the program, one of the programs for improving our base line sea control forces.

We are now at the point in this, the patrol escort or PF program, to be able to justify funding requirements for advance procurement. We are requesting your support for a budget amendment which deletes two of three salvage and rescue ships (ATS) at \$52.6 million and adds PF advance procurement at \$51.6 million. The salvage ships are still required but as a matter of priority, the PF must take precedence.

The PF program required an escort ship which would be able to counter attacks of various types of antishipping missiles and torpedoes both for self-protection and the defense of escorted forces.

MISSION

The mission statement calls for a ship which can effectively supplement our existing and planned escort forces. It will be operating with other escorts in protecting amphibious forces, underway replenishment groups and military and merchant convoys.

I would like to emphasize here that the PF is not in competition with nor is it a substitute for the DD-963. The DD-963 is a highly capable general purpose task force escort with the weapons, size, speed, and sea-keeping attributes that the role requires while the smaller and less expensive PF has a more restrictive mission, and it is not required to be a carrier task force escort.

To properly carry out its mission, our analyses established that the PF should have the capabilities indicated.

REQUIREMENTS

The major requirements are an endurance of [deleted] nautical miles at 20 knots and a top speed of approximately [deleted] knots, to be able to detect, localize, and kill nuclear and conventional submarines at both long and short ranges; to defend itself and the escorted force against [deleted] attacks by [deleted] fighter-bombers or [deleted] antishipping missiles; to detect and defeat comparable enemy surface ships at ranges up to [deleted] nautical miles. This requires the installation of a surface-to-surface missile.

In developing the PF program, we wanted to produce a ship which would meet our requirements at a relatively inexpensive cost. In scoping the problem and its requirements, we examined ships of various size, cost, and capability. Three of the types we looked at are shown on this vugraph.

The left column is a small ship based on a modern [deleted] hull design of 1,650 tons and costing \$30 to \$35 million; the center column shows a new 3,400-ton U.S. design costing \$45 to \$50 million; and in the right column is a new design, a guided missile destroyer. This 7,400-ton ship would cost \$120 to \$130 million. For each ship, we considered the maximum number of effective weapons and sensors that could be installed in the hull size.

We also determined how many of these ships we could buy for a fixed number of dollars—here we arbitrarily chose [deleted].

We then made a series of studies to see how much effectiveness the given dollar value would buy if invested in each of the ship options.

The analyses indicated that the 3,400-ton ship provided the greatest overall capability for a given amount of money. This ship, which we called the PF, has a lesser capability per ship than the conceptual

DDG but offers the distinct advantage of numbers since we can acquire considerably more of them. Also, size of the PF was large enough that its effectiveness with the increased numbers gave an increased total program effectiveness. On the other hand, the cheapest ship costs less than the PF, and we could acquire more of them; however, at this end of the spectrum, the reduced capabilities, in such areas as endurance, weapons reloads, helicopter facilities, and so forth, which resulted from the smaller sized hull, was such that the greater numbers did not provide a concurrent, increase in program effectiveness.

At this point, we had determined the ships' mission and mission requirements and had arrived at the optimum size and cost of ship. However, we had to investigate many ship designs in order to satisfactorily define a truly effective ship within cost and size constraints. We had to identify an optimum set of weapons and sensors, and pick the best hull and propulsion system. After an exhaustive examination and analysis of over 300 different ship designs, we selected the equipment and ships capabilities shown here.

In the interest of brevity, I will not present the results of the detailed analyses which led to the selection of the specific characteristics. I am prepared, however, to describe with appropriate vignettes any of the technical areas if you so desire.

You will note we selected single-shaft gas turbine propulsion. This selection, like so many others, was made only after analyzing many propulsion schemes. The single shaft was selected because it was most effective in meeting the ship's mission requirements within the size and dollar constraints.

We are presently in the preliminary design stage and are refining the many ship parameters. Our thrust in this effort is to reduce cost and increase ship performance, therefore, the items indicated by an asterisk will undoubtedly undergo a change for the better as we go along. The equipments we have chosen will produce a truly effective ship. They are shown on this vignette.

We are fortunate at this time in having a number of new equipments which have completed their operational evaluation and are available for our use now. [Deleted.] We are thus able to have modern gun and fire control systems without going through the long and costly research and development process. The ship will be equipped with the Lamps helicopter and the Harpoon surface-to-surface missile. We have also provided detailed weight and space for the [deleted] sonar, [deleted] which is now under development.

This [deleted] sonar will provide the fleet with a highly effective [deleted] sensor which it does not now possess. However, the concurrency of development prevents us from calling it out for initial installation.

The Navy desires to build [deleted] PF ships. As I have stated, our escort requirements exceeds this number. However, it is felt that this is the maximum number we should plan to build now of a single design. The program schedule we estimate and costs are shown.

We have included in the first ship all of the nonrecurring costs for the program. This will greatly simplify program and funding management in the outyears. You will note, we also build up the production rate slowly in order to avoid the problems associated with crash programs and to minimize cost growth and claims.

PROCUREMENT DEVELOPMENT

In developing our plan for procurement, we have taken into account all the lessons learned in past ship procurement programs. We have provided for thorough test of the complete propulsion and ship combat systems at shore based test sites before installation in the ship. We are utilizing the lead year, lead ship design approach and have lengthened the time period between the lead and follow ships in order to insure that the detail design is adequately verified and that any deficiencies are eliminated prior to beginning construction of the follow ships. The interval of some 16 to 18 months between the award of the lead ship and the award of the follow ships is planned in contrast to previous programs where this interval has varied from zero to 6 months. This will also minimize change order and cost growth in follow ships. We now contemplate building the PF ships in at least two and probably three shipyards, with central design, procurement and configuration management concentrated in the lead shipyard.

The program that I have outlined leads to delivery of the lead ship in [deleted], the first of the follow ships in [deleted] and the final delivery in [deleted]. We would like to have these ships much sooner than that, but it is not prudent to proceed at a faster pace if we are to have minimum program costs.

Neither, however, is it prudent to delay. We need to start up the propulsion plant procurement for the lead ships and the test site, weapons systems for the test site and the lead ship and the design. If these funds are not made available the program will slip 1 full year as a minimum.

That is the end of my statement.

(The entire statement and charts follow:)

Mr. Chairman, ladies and gentlemen: As you know, our World War II destroyers are rapidly becoming obsolete and most have been or soon will be removed from service. Our ship building program, due to rising costs and other factors, has not provided a sufficient number of new escorts to replace those which are reaching the end of their service life.

Admiral Zumwalt has previously briefed the committees of Congress on studies which predicted the results of war at sea based on the expected force levels of the possible combatants.

He also said that our current sea control force levels were "High risk base line forces from which we must build to meet our national security strategy" and "the Nixon doctrine" requirements. He also stated that we knowingly accepted a lower than prudent level of forces at this time in order to insure funding a minimum acceptable level of force modernization.

This vugraph reflects the surface escorts which will be available in 1979 and includes those ships now programmed for construction. The World War II escorts are not included since they will be about 35 years old and retired in 1979.

ESCORT ASSETS/REQUIREMENTS, CIRCA 1979

Force	Quantity	Requirements (low threat)			Programed assets
		AAW (each)	ASW (each)	Total (all)	
CVAN (Nuclear escorts).....	[Deleted.]				CGN.....
CVAN (Conventional escorts).....					DLGN.....
CVA/CV.....					DLG.....
Replenishment group.....					DDG.....
Amphibious force.....					DD.....
Military convoys.....					DEG.....
Surveillance.....					DE.....
Overhaul/repair.....					
Total.....					Total Required..... Available..... Deficiency.....

[Deleted.]
[Deleted.]
[Deleted.]

THE THREAT

Submarine Launched Missile.
Aircraft Launched Missile.
Surface Ship Launched Missile.
Submarine Launched Torpedo.

The stated requirements are for a moderately low level of enemy threat and do not reflect the additional requirements that would be necessary in defense of merchant shipping, for adequate defense of the merchant shipping, we would need the use of the escorts of our allies, Reserve and Coast Guard ships and additional naval surface escorts. Note that the purely military missions require [deleted] more escorts than our currently planned force levels. This shortage of escorts would have a serious impact on our ability to maintain the sea lines of communication and it is on our ability to use these sea lines that the success of strategy and planning of the U.S. rests.

I am presenting today one of the programs for improving our base line sea control forces. In discussing his new initiatives, Admiral Zumwalt stated that we were working on a new class of small, less expensive escort ships which would supplement our existing and planned forces.

We are now at the point, in this, the patrol escort or PF program, to be able to justify funding requirements for advance procurement. We are requesting your support for a budget amendment which deletes two of three salvage and rescue ships (ATS) at \$52.6m and adds PF advance procurement at \$51.6m. The salvage ships are still required but as a matter of priority, the PF must take precedence.

The PF program required an escort ship which would be able to counter attacks of various types of anti-shipping missiles and torpedoes both for self-protection and the defense of escorted forces.

The mission statement calls for a ship which can effectively supplement our existing and planned escort forces. It will be operating with other escorts in protecting amphibious forces, underway replenishment groups and military and merchant convoys.

I would like to emphasize here that the PF is not in competition with nor is it a substitute for the DD-963. The DD-963 is a highly capable general purpose task force escort with the weapons, size, speed and sea keeping attributes that that role requires while the smaller and less expensive PF has a more restrictive mission, and it is not required to be a carrier task force escort.

To properly carry out its mission, our analyses established that the PF should have the capabilities indicated.

The major requirements are: An endurance of [deleted] nautical miles at 20 knots and a top speed of approximately [deleted] knots. To be able to detect, localize and kill nuclear and conventional submarines at both long and short ranges: To defend itself and the escorted force against [deleted] attacks by [deleted] fighter bombers or [deleted] anti-shipping missiles: To detect and defeat comparable enemy surface ships at ranges up to [deleted] nautical miles. This requires the installation of a surface-to-surface missile.

In developing the PF program, we wanted to produce a ship which would meet our requirements at a relatively inexpensive cost. In scoping the problem and its requirements, we examined ships of various size, cost and capability. Three of the types we looked at are shown on this yugraph.

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We also determined how many of these ships we could buy for a fixed number of dollars—here we arbitrarily chose [deleted].

We then made a series of studies to see how much effectiveness the given dollar value would buy if invested in each of the ship options.

The analyses indicated that the 3,400 ton ship provided the greatest overall capability for a given amount of money. This ship, which we called the PF, has a lesser capability per ship than the conceptual DDG but offers the distinct advantage of numbers since we can acquire considerably more of them. Also, size of the PF was large enough that its effectiveness with the increased numbers gave an increased total program effectiveness, on the other hand, the cheapest ship costs less than the PF, and we could acquire more of them; However, at this end of the spectrum, the reduced capabilities, in such areas as endurance, weapons

reloads, helicopter facilities, etc., which resulted from the smaller sized hull, was such that the greater numbers did not provide a concurrent increase in program effectiveness.

At this point, we had determined the ships' mission and mission requirements and had arrived at the optimum size and cost of ship. However, we had to investigate many ship designs in order to satisfactorily define a truly effective ship within cost and size constraints. We had to identify an optimum set of weapons and sensors, and pick the best hull and propulsion system. After an exhaustive examination and analysis of over 300 different ship designs, we selected the equipment and ships capabilities shown here.

MISSION STATEMENT

To effectively supplement existing and planned ASW and AAW escorts in protection of amphibious forces, underway replenishment groups and military or mercantile convoys against air, surface or subsurface threats.

MISSION REQUIREMENTS

Speed.—Escort a 20-knot transiting force while operating at less than "full plant" engineering status.

Endurance.—Escort, at [deleted] knots, fast convoys to distances of [deleted]. Transit at [deleted] knots for [deleted] loiter for [deleted] days and return to base with [deleted] reserve.

ASW.—Detect, classify, track or localize and attack and kill a nuclear submarine at long ranges and when attempting to penetrate its screen sector. Detect, classify and decoy enemy torpedoes.

AAW.—Defend own ship and escorted force against: [deleted] attack by [deleted] supersonic fighter-bombers. Essentially [deleted] attack by [deleted] ASMs launched from a surface ship, aircraft or submarine.

Surface warfare

Defeat enemy surface ships of equal size out to ranges of [deleted].

Vulnerability

Capable of withstanding attacks by arms of 3-inch caliber and less and shrapnel. Have minimal propulsion and navigation capability and residual AAW and ASW capability. After one hit or near miss by larger conventional weapons [deleted].

Communications

Communicate reliably with other fleet/shore units.

Ship control

Meet all tactical requirements for assigned missions. Exploit the inherent automation/remote control features of the installed systems.

CANDIDATES

	I	II	III
Displacement (tons).....	[Deleted] 1,650	PF 3,400	DDG. 7,400
Maximum speed.....	[Deleted]		
Men.....	[Deleted]		
ASW.....		Torpedoes..... Lamps.....	Torpedoes. Lamps. ASROC.
AAW.....	[Deleted]		
SUW.....	HARPOON [Deleted]	HARPOON.....	HARPOON.
Cost (millions).....	\$30-35	\$45-50	\$120-140.
Equal cost.....	[Deleted]		
Buy [deleted].....	[Deleted]		

In the interest of brevity, I will not present the results of the detailed analyses which led to the selection of the specific characteristics. I am prepared, however, to describe with appropriate vignettes any of the technical areas if you so desire.

PF CHARACTERISTICS

Propulsion.—Single screw (reversible pitch) gas turbine [deleted] shaft HP bow propulsor also provided.

Speed sustained.—[Deleted.]

Endurance.—[Deleted] Nautical miles at 20 knots.*

Accommodations.—203.*

Length.—420 ft.*

Beam.—43.9 ft.*

Displacement.—3,400 tons.*

You will note we selected single shaft gas turbine propulsion. This selection, like so many others, was made only after analyzing many propulsion schemes. The single shaft was selected because it was most effective in meeting the ship's mission requirements within the size and dollar constraints.

We are presently in the preliminary design stage and are refining the many ship parameters. Our thrust in this effort is to reduce cost and increase ship performance, therefore, the items indicated by an asterisk will undoubtedly undergo a change for the better as we go along. The equipments we have chosen will produce a truly effective ship. They are shown on this Vugraph.

THE PF WEAPONS SYSTEMS

For anti-air warfare.—[Deleted.]

For anti-submarine warfare.—[Deleted.]

For surface warfare.—[Deleted.]

We are fortunate at this time in having a number of new equipments which have completed their operational evaluation and are available for our use now.

We are thus able to have modern gun and fire control systems without going through the long and costly research and development process. The ship will be equipped with the Lamps helicopter and the Harpoon surface-to-surface missile. We have also provided detailed weight and space for [deleted] sonar, [deleted], which is now under development.

This [deleted] sonar will provide the fleet with a highly effective [deleted] sensor which it does not now possess. However, the concurrency of development prevents us from calling it out for initial installation.

The Navy desires to build [deleted] PF ships. As I have stated, our escort requirement exceeds this number. However, it is felt that this is the maximum number we should plan to build now of a single design. The program schedule and costs are as shown.

*The ship is now in preliminary design. These characteristics will be more accurately defined upon completion of preliminary design.

PROGRAM SCHEDULE AND COST

[In millions of dollars]

	Fiscal years—							
	1972	1973	1974	1975	1976	1977	1978	1979
Ships.....								
TOA.....								
Total ships.....								
Total program cost.....								

¹ Long lead items only.

PROCUREMENT

One yard for lead ship.

Eighteen months before second ship.

Three building yards for class.

Eventual delivery rate of one ship per month.

<i>Long lead items</i>		<i>Millions</i>
Propulsion gas turbine:		
Design	-----	\$0.7
Start up	-----	2.9
Propulsion train components and controls:		
Land based propulsion test site	-----	6.4
Lead ship	-----	6.4
Combat system integration:		
Ship design development	-----	5.0
Software and hardware integration of sensors, weapons, and CIC	-----	2.0
Ordnance:		
[Deleted]	-----	5.2
[Deleted]	-----	3.5
[Deleted]	-----	18.0
Sonar:		
[Deleted]	-----	1.5
Grand total	-----	51.6

We have included in the first ship all of the non-reoccurring costs for the program. This will greatly simplify program and funding management in the outyears, you will note, we also build up the production rate slowly in order to avoid the problems associated with crash programs and to minimize cost growth and claims.

In developing our plan for procurement, we have taken into account all the lessons learned in past ship procurement programs. We have provided for thorough test of the complete propulsion and ship combat systems at shore based test sites before installation in the ship; we are utilizing the lead yard, lead ship design approach and have lengthened the time period between the lead and follow ships in order to ensure that the detail design is adequately verified and that any deficiencies are eliminated prior to beginning construction of the follow ships.

The interval of some 16 to 18 months between the award of the lead ship and the award of the follow ships is planned in contrast to previous programs where this interval was approximately six months. This will also minimize change order and cost growth in follow ships. We now contemplate building the PF ships in three shipyards, with central design, procurement and configuration management concentrated in the lead shipyard.

The program that I have outlined leads to delivery of the lead ship in [deleted] the first of the follow ships in [deleted] and the final delivery in [deleted] we would like to have these ships much sooner than that, but it is not prudent to proceed at a faster pace if we are to have minimum program costs.

Neither, however, is it prudent to delay.

If we are to maintain the program schedule, we need the \$51.6M long lead time funds in fiscal 72 for the items shown here. If these funds are not available, the program will slip one full year as a minimum.

PACE OF PROGRAM

The CHAIRMAN. All right.

If this project is not going to end until [deleted], why is there such a hurry, here in the middle of this year, at the tail end of things, to get it in now?

Admiral PRICE. Sir, any delay in starting these ships just results in a year by year slippage. In fact it probably would be more than that in the delivery of the early ships. Using our plan for advance procurement in this budget, the majority of them, of course, would be delivered earlier, much before [deleted] and the need for them is such that we should move as rapidly as we can. We have, however;

made sure that in our procurement programs that we are not trying to move so fast that we would not have a program which is under control, sir.

The CHAIRMAN. You would begin deliveries in [deleted].

Admiral PRICE. Yes, sir. The lead ship is planned for delivery in [deleted] with the next ones in [deleted] if we start now.

CONVOY DUTY

The CHAIRMAN. The primary mission is convoy duty?

Admiral PRICE. They will also act as underway replenishment group escorts. There are the tankers and the ammunition ships and the other ships that support our task forces. We need these kind of ships to escort both our military convoys, which are the ones which are supporting the Army, for example in Europe, and to escort amphibious groups on their way to their objective area as well as the mercantile convoys.

The CHAIRMAN. Primarily, convoys to Europe for war in Western Europe, isn't that right?

Admiral PRICE. Or any other place we happen to have to fight, sir.

The CHAIRMAN. Of course we know that. But the present planning is looking to Western Europe. This is part of the NATO set up.

Admiral PRICE. Yes, sir.

PARTICIPATION IN PROGRAM BY NATO COUNTRIES

The CHAIRMAN. Is anyone else to share in this cost, any other NATO parties, or is this all U.S.A.?

Admiral PRICE. This is the U.S. program.

The CHAIRMAN. Is this any part of the NATO plan?

Admiral COUSINS. It fits in.

The CHAIRMAN. There was an original plan of NATO and what each member was to do.

Admiral COUSINS. It goes hand in glove with all of our thinking with supporting NATO and we count heavily on NATO escorts to supplement these and have taken those into account in our planning.

The CHAIRMAN. The real basic question is, is this a NATO plan or is this a U.S.A. plan?

Admiral COUSINS. It is a U.S. effort, sir.

The CHAIRMAN. I am told, and I don't hear it contradicted, that supplies in Western Europe accommodate only those nations themselves [deleted]. All of this is now at issue on the Senate floor. We had the Mansfield amendment about precipitously reducing the manpower over there by 50 percent, and it got a very strong vote. That is the atmosphere now. To come in now for an escort for that purpose, I just really question whether it is timely or not.

Admiral COUSINS. I appreciate what you are saying.

The CHAIRMAN. I am just one Senator and I would like to see you get the ships. I feel you need them as a part of the fleet. But I must express my thoughts on this.

Admiral COUSINS. As Admiral Moorer has said here, and as Admiral Zumwalt has repeated, there isn't any valid plan at all that the Joint Chiefs have for supporting Europe, that doesn't require sea control. That is what we are emphasizing today, a means of controlling the

sealanes and getting things safely to Europe, and of controlling the sealanes to the point where we can guarantee that we get vital materials to this country. When we see the extent of the Soviet submarine threat, and the vast requirements, the numbers of ships that are required to guarantee control of the seas even close to home here, we see a vital need to supplement our escort role.

RESPONSE TO SOVIET SUBMARINE THREAT

The CHAIRMAN. Well, that is certainly in our minds here. But I have heard heretofore that the most effective answer to the Russian submarine threat was our submarine fleet. What is your response to that? My present thinking is I would rather see the money go into a fighting attack submarine.

Admiral Cousins. With your help, we have upped our building rate on our SSNs from three to five in fiscal 1972, as you know. They are not inexpensive and we are getting into quantity here where we can get three or four of these PFs for every one of the SSNs. These are multimission ships and can do a job in a wider range of missions, some of which a submarine can't do. A submarine is very effective, lying there quietly, waiting for another submarine to come to it. If it steams at high speeds, its sonars aren't as effective. If it tries to go with a convoy it is not going to be very effective in defending those ships at a 20- or 25-knot convey speed. It is not going to pick up the other submarines, which would be quietly lurking there as they prefer to do, and it is not very much good in fighting off a missile attack on our convoys or our underway replenishment groups, our Navy oilers or ammunition ships, which we have to move around. So that is the way we see it, vis-a-vis the submarine, which we value highly. We are presently developing tactics to use submarines for escorting convoys. We are doing that in Europe now. But there are a lot of problems to be worked out, in communications, especially.

The CHAIRMAN. When will you have as many of the modern attack submarines as you need?

Admiral Cousins. By [deleted] we think we are going to be up around the number of first-line nuclear attack submarines that we and Admiral Rickover and Admiral Shear want, around a [deleted].

The CHAIRMAN. Don't you think it would be better to concentrate on that for awhile longer anyway? I believe that is the thinking generally of the membership of the Senate. We put in some of these ahead of the Johnson administration and even during the war. I know we have since I have been chairman. You had a motion here for an additional one, Senator Smith.

Admiral Cousins. Well, I think all of us from our experience and from our studies and from our intuition, which I am sure you share, know that in a real shooting war you just don't have enough escorts. We didn't have last time and we know it is going to be terribly tough if there is a next time. We can't visualize how a war is going to come out, whether we will be defending our own shores. [Deleted.]

The CHAIRMAN. I would support something designed to meet situations like that, additional ships, be they escorts or antisubmarine, much quicker than I would these to convoy material to Europe for war over there. We haven't settled the matter about our manpower levels over there.

Admiral COUSINS. I know that.

The CHAIRMAN. And it is coming up. I am just not throwing obstacles in your path, but it is coming up this session. I imagine either in the military appropriations bill or this bill.

Admiral COUSINS. I would stress the PFs are multipurpose ships, and they are going to be useful in so many places. If we have some kind of a war at sea with the Soviets in which we are scrapping for control of the sea, even if the convoys aren't moving, we still are going to need all of the escorts we can get to protect our ammunition ships. We don't have enough nuclear powered ships. We need oilers out there, and they are very vulnerable. ASW is getting to be a three-dimension problem with the submarines shooting missiles at us from 100 miles away. The dimension of ASW is constantly expanding. It is a tough, tough problem.

Admiral PRICE. These ships would also be very competent ships with ASW groups.

The CHAIRMAN. Groups?

Admiral PRICE. Groups. They are not good just for convoys. They have a very fine ASW capability for use in any ASW role that practically we have to consider,

STATEMENT OF ADM. MEANS JOHNSTON, JR.

Admiral JOHNSTON. I spent the last war in a similar type of ship, a destroyer escort, and we were formed in what they call hunter killer groups with small carriers and the escorts. Our task group was able to capture a German submarine, the U-505, with codes intact. This enabled us to read their messages for the rest of the war.

So they would be doing a lot more than just convoying merchant ships to Europe, they would be an essential part of the antisubmarine warfare system.

Admiral COUSINS. It is well to point out what we are asking for today is insurance money to get going on this program. A year from now in our 1973 budget will be the time when the authorization will be requested for the first ship, and only the one ship. This request is for long leadtime money to do a design study. Authorization is a year from now, for the first ship, with a considerable interval between that one and the following year in which we are now planning for the next [deleted] ships. So it isn't as if we were irrevocably embarked on this program today.

IMPLEMENTATION OF FLEET

The CHAIRMAN. You say in essence this is a convoy-type operation similar in its tactic to protection of groups of merchant ships. You call it patrol escort. What I am really discussing here is a matter of priorities. My present state of mind is to go with things that are more important and more effective such as the buildup of the submarine fleet.

How would you use these ships in connection with our Mediterranean Fleet? I am a great believer in the Mediterranean Fleet.

Admiral COUSINS. I think they are especially useful in getting our supplies to our carriers at sea and for convoying our oilers and ammunition ships. That is our weakest link. If we can't get supplies to them we would have to come home sooner or later. I see the PF especially useful in that role.

The CHAIRMAN. The Soviet threat is the only threat, though. Admiral COUSINS. But the Soviets have, as you know, about [deleted] submarines in the Mediterranean today.

The CHAIRMAN. When we talk about the supply lines, it is the Soviets.

Admiral COUSINS. However, as Admiral Moorer and Admiral Zumwalt have so often pointed out, if we get into war with the Soviets, it will not be confined to the Atlantic. There may be one war there, but the Soviets are operating in all the oceans of the world and we have some long lines of communication into the Pacific.

PRIORITY

Senator SMITH. Mr. Chairman, you spoke of the submarine matter, which is a question I had in mind, apparently you place the top priority on this even over more submarines?

Admiral COUSINS. I would place this at equal or higher priority than going above the five submarines [deleted].

Senator SMITH. What about the salvage ships, what is going to happen to them? Will they come in in 1973?

Admiral COUSINS. We are going to take a calculated risk and bring them back in later.

LEVEL OF OILERS

Senator SMITH. What about your oilers, aren't you low on oilers?

Admiral COUSINS. We have some fine new AOE's and AOR's in the program which are multipurpose ships, and frankly we are experimenting now to see if we can't tap into the merchant marine. We are working very closely with Mr. Gibson to see if we can't get some features into their ships which we can use in emergency. There are tankers, but most of them are too big. However, they are building some at around 50,000 tons which we can see as auxilliary oilers.

CONSTRUCTION OF SIMILAR SHIPS BY ALLIES

Senator SMITH. I was interested in the chairman's question about NATO plans. Are any of our allies building any ships like this?

Admiral COUSINS. Yes.

Senator SMITH. Are they providing any for convoys?

Admiral COUSINS. Yes; Admiral Price has been over to both England and Holland recently looking at their ships.

Admiral PRICE. Yes; both the British and Dutch are looking at programs very much like ours. The British are constructing ships of about this size and capability. We think this one will be a little bit better than theirs. The Dutch are very interested in this program and are watching it very closely to see if they want to go to the same, or almost the same type of ship. We wouldn't build it, they would build it, but the requirement and the interest amongst the countries is very high in this category of ships.

Senator SMITH. Is there any assurance they will help escort the convoys if they are needed?

Admiral COUSINS. Yes.

Senator SMITH. You have that assurance?

Admiral COUSINS. Yes; NATO nations commit ships, including escorts, to report to major NATO commanders within 48 hours of declaration of reinforced alert. These commanders then in turn assign their assets to specific tasks. Some of these would go to convoy escort duties, others to strike forces, within still others going to barrier operations and the like.

Senator SMITH. I have been told that the equipment is European constructed, is that correct, the guns and so forth?

Admiral PRICE. No; everything will be U.S. made. They will all be manufactured here. Two of the items, the [deleted] were designed in [delete] but they will be built in this country and that would be all U.S. manufacture.

FIREPOWER

Senator SMITH. Admiral Zumwalt said one day here in the committee that Russian ships outgunned American ships. Would that include this ship too?

Admiral PRICE. No, Senator, with this ship having the HARPOON surface-to-surface missile, it will have the capability essentially equivalent or superior to a lot of the Russian antishipping missiles. Also, we will have a helicopter permanently based on the ship. Very few of the Russians, in fact only one that we know of their escort ships has a hangar and, therefore, the ability to permanently keep a helo aboard. This helicopter should give us a range advantage in detecting them and being able to control our missiles against the Russian ships.

Senator SMITH. Then this is a better ship than the Russians have?

Admiral PRICE. We think it is a very competent ship and in the majority of cases better.

Senator SMITH. This would not be included in the statement that Admiral Zumwalt made.

Admiral COUSINS. I think this puts us back in the ball game. I think the Lamps helicopter which we are going to have for all our escorts is a quantum jump forward in warfare.

PROCUREMENT PLANS

Senator SMITH. Admiral, would you be a little more specific on your procurement plans? As I understand, you are going to have one prototype.

Admiral PRICE. We would. The Navy is doing the preliminary design of the ship. We will go out competitively, or plan to at this moment and, as you must know, we are investigating the best way of procurement. Our present plan is to go out competitively to determine the lead yard.

Senator SMITH. For the first one?

Admiral PRICE. For the design of the ship, the lead ship. We would then go out competitively amongst all competent destroyer builders to build the follow-on ships and the lead yard would be in competition for that also such that the lead yard would do the design and build the lead ship and then we would go competitively to at least two and probably three yards to build the follow-on ships.

Senator SMITH. Including the lead yard?

Admiral PRICE. Yes.

Senator SMITH. The lead yard could be one of the three yards.

Admiral COUSINS. Very probably would be.

Admiral PRICE. Yes; because they would have designed the ship in detail.

Senator SMITH. The first ship is going to be by competitive bidding. You have mentioned the DD-963. Would you tell us what progress is being made in that program?

Admiral PRICE. At this point it is on schedule. As you well know, we are in what we call the systems design phase of that ship and the design schedule at the moment has been met and is being met. We still have to then go from the system design phase to the detailed design phase and then, of course, build the ship. At this point in time the 963 program is on schedule. At this point also we do not see any problems with the design effort and of course being so early we can't predict further downstream.

Senator SMITH. There has been no slippage of any kind?

Admiral PRICE. Not at this point in the overall program.

Senator SMITH. When is the first ship supposed to be delivered?

Admiral PRICE. 1974.

Senator SMITH. That is all I have for the present, Mr. Chairman.

BASIS FOR REQUIREMENT

Senator CANNON. You show [deleted] nuclear frigates in your programmed assets. Is that number based on a three-ship DLGN construction program that Deputy Secretary Packard talked about or is that a five-ship program advocated by Navy?

Admiral COUSINS. That is three.

Senator CANNON. You referred to the fact, Mr. Chairman, this was toward the NATO effort. Is your requirement based on a one and a half war concept? What is your [deleted] requirement based on?

Admiral PRICE. That would be, yes, sir, the one and a half.

Senator CANNON. One and a half war concept?

Admiral PRICE. Yes, sir.

Senator CANNON. Secretary Laird when he appeared before the committee said that we expected to rely very heavily on our European allies for escort purposes. Is that taken into consideration in full in connection with this?

Admiral PRICE. Yes, sir.

Senator CANNON. Well, now, if this is directed toward NATO, how long do you anticipate that a NATO war would last in your programming?

Admiral COUSINS. I think it could last indefinitely, but I realize much—

Senator CANNON. Your requirements would be different, if it was to last 9 days or 120 or 6 months.

Admiral COUSINS. [Deleted] and some of our recent studies that are ongoing show us within the first 90 days because of inadequate escorts losing up to [deleted] percent of our merchant shipping in the first, very first part of this time. All of our studies lead us immediately to reinforce our intuition that our escorts are woefully inadequate for any type of sea control.

Senator CANNON. Do you have that statement there from Secretary Laird, Mr. Chairman?

Secretary Laird says:

But in escort ships, our friends and allies around the world possess a greater number than we do. While the capability of this combined escort-ship force is difficult to measure, due in part to the fact that many are obsolescent, we feel it is substantial. Therefore, it is one of our goals for the 1970's that our Atlantic and Pacific allies should provide a major contribution to protecting the convoys that in war would be carrying material for their sustenance.

That doesn't sound quite consistent with what you are suggesting. Admiral COUSINS. We have firm figures on what our NATO allies are building and will have a pretty good feel for their capabilities. We have taken them into account in our studies. We see the large portion of their escorts, most of which are much shorter legged than ours, working close to their own shores and helping us when we get to the choke points where we know that the concentration of enemy submarines will be.

SPECIFIC OPERATIONAL OUTLOOK

Senator CANNON. How many convoys do you estimate would be required to keep NATO supplied for 30-day period?

Admiral PRICE. Through the first 90 days it would be at least over [deleted] tons and require [deleted] ship transits.

Admiral COUSINS. Considering the Army plans and we know the rolling stock they want to get to Europe, and even a meager sustaining POL requirement lift to Europe, there is a shortage in escorts, sir.

Senator CANNON. That is all the questions I have, Mr. Chairman. I may say I share the chairman's concern about the fact as to whether or not we are placing the emphasis and the priorities in the right direction here.

The CHAIRMAN. Senator McIntyre.

BUDGET FORMULATION FOR FORCES

Senator MCINTYRE. Admiral Cousins, will you give the committee the precise formula as to how Navy divides the budget between its strategic forces and the general purposes forces to fight conventional wars? If you want to, furnish that for the record.

Admiral COUSINS. I think we would like to do that.

Senator MCINTYRE. We would like to have you gentlemen give us that formula that you utilize.

(For reply, see "Prepared Questions from Senator Stennis" just prior to end of hearing.)

The CHAIRMAN. That is, priorities as between the conventional forces and your strategic forces?

Senator MCINTYRE. That is correct. This is not an R. & D. item?

Admiral COUSINS. No, sir.

Senator MCINTYRE. You don't consider this request for \$51.6 million R. & D.?

Admiral COUSINS. No, sir.

Senator MCINTYRE. Good. I served in the Army and have said publicly if I had to do it over again and had a choice I would go Navy. I am not that well informed on Navy but I remember the old four-stack destroyers of World War I and I have talked to men who have served in tin cans, so-called, in World War II, and they tell me if you are prone to sea sickness, this is really a tough place to be assigned.

COMPARISON WITH OLDER SHIPS

How does this 3,400 tons compare with the World War I four stacker and with the destroyer, not this new destroyer that you are going to build, but the destroyer I have seen?

Admiral PRICE. This ship, sir, is longer and has slightly more tonnage than the World War II destroyer. It also is stabilized such that the roll of the ship is reduced and makes a better weapons platform. The hull is designed better, as we now know how to do, for sea keeping qualities, so it would be considerably better than the ones that you mentioned.

Senator McINTYRE. Well, that is reassuring to me because in the Lamps program, the effort to return the helicopter to the ship is critical. As I understand it, it is pretty much solved as of today or at least the Navy knows where they are going, whether they are going to the basket or harpoon, not to be confused with your weapon. But it does require it seems to me that the stabilization of this ship which you are talking about be good up to sea state 7 or 8. The thing, of course, that concerns us also is the fact that the Lamps program originally described to me called for two sets of avionics, two sets for the helicopter. You take one out and put the other in. And one set has to do with ASW.

Admiral COUSINS. The other is AntiShip Missile Defense.

Senator McINTYRE. And it is going to contain some sensitive equipment. I think, Admiral Cousins, you said that the Lamps program will make a quantum leap forward. I just hope that the stability of your 3,400-ton ship in rough sea is such that you can return those helicopters without smashing all of that electronic equipment.

Admiral PRICE. This is the reason we have called for the stabilization for the ship. We have stabilized other ships such as the DE's. This is an insurance factor that we can get the helicopters back.

Admiral COUSINS. For having been in the Army I think you have a fine appreciation of some of the problems of operating at sea.

Senator McINTYRE. I understand that Admiral Zumwalt is determined to bring some new thinking to our Navy and I think this is one example. Another is the fact that this year we see the Captor mine jump forward in R. & D. We see the Lamps program being vigorously pursued. All of these are the effect of having a new CNO.

Admiral COUSINS. If I may, I would like to say we are often told we are pricing ourselves out of business, and we tell ourselves that too. Here is a case indeed where we have constrained ourselves tightly to get some numbers and keep the price down.

Senator McINTYRE. We sure appreciate that.

Admiral COUSINS. It is not a cheap ship but it is coming down instead of going up for a change.

Senator McINTYRE. Well, thank you very much. I think that is all I have to ask.

The CHAIRMAN. Senator Byrd.

NEW AUTHORIZATION

Senator BYRD. Thank you, Mr. Chairman.

First let me say I believe in a strong Navy. I think it is vitally important. I think small surface ships are as vital to the total Navy as

submarines, aircraft carriers and supply ships, and so forth. Now in this program you envision it to be a [deleted] ship program.

Admiral COUSINS. Yes, sir.

Senator BYRD. And the total cost will be [deleted].

Admiral COUSINS. Yes, sir.

Senator BYRD. Well, now, was this item submitted in the budget when the budget was submitted to the Congress?

Admiral COUSINS. No, sir; we simply hadn't done all of our homework at that time. It was in Admiral Zumwalt's thinking as part of our sea control forces, but we weren't confident enough to come forward at that time. We regret coming in late.

Senator BYRD. It was submitted only today?

Admiral COUSINS. Yes, sir.

Senator BYRD. So what passes through my mind, you are coming in here at the last minute and I call it last minute because I assume we will complete the markup perhaps next week?

The CHAIRMAN. If we can.

Senator BYRD. You come in at the last minute and ask the committee to approve a new program, a new program which will cost [deleted].

Admiral COUSINS. We are asking for as we have said long leadtime.

Senator BYRD. Let me change that, you are asking the committee to initiate, to permit you to initiate a new program.

Admiral COUSINS. It is the beginning of a new program.

Senator BYRD. Which will cost [deleted].

Admiral COUSINS. Authorization. The first authorization would come next year.

Admiral PRICE. That would only be for one ship.

Senator BYRD. You are seeking \$51 million in this budget, aren't you?

Admiral PRICE. Yes, sir.

Senator BYRD. So you are seeking to begin a new program?

Admiral PRICE. Yes, sir; but all of that long leadtime money, sir, is for equipment for the first ship.

Senator BYRD. I understand that.

Admiral PRICE. Design of the first ship, and hopefully it will be a [deleted] ship program once the first ship is approved and then off. The approval next year is only for the lead ship.

Senator BYRD. So you are asking now today that the committee authorize the beginning of a new program?

Admiral COUSINS. We are asking for the blessings and it is indeed a major new initiative.

Senator BYRD. The last minute and asking us to do that. You are taking \$51 million from the salvage ships which you say in your report are still required, so it is only——

Admiral COUSINS. As a matter of less priority.

Senator BYRD. So it is only a question of changing it in this particular year, you still want the salvage ships at a later date?

Admiral COUSINS. Yes, sir.

Senator BYRD. I am sympathetic with your view but as a businessman and as a legislator I have some hesitancy in approving something that was brought in at the last minute, the last minutes. That means a tremendous cost over the long run. The first ship won't even be

delivered for almost [deleted] years. A new budget is being drawn up now which will be submitted to the Congress next January which is only 6 months from now.

Admiral COUSINS. I appreciate what you say and I can only say that we fully realize this year, the state of affairs here. If it hadn't been a matter, which is in our mind quite urgent, we wouldn't have come forth with it at this late date.

NATO SUPPORT FOR PROGRAM

Senator BYRD. It seems to me before the Congress goes into a new program it ought to have a lot more facts than are available here. I would like to know more detail on what the NATO allies are doing. You say you have the information. But I would like to know in detail what they are doing.

Admiral COUSINS. We will provide that.

Senator BYRD. So-called on hand and how much is on order.

Admiral PRICE. We know, sir, what the forces are under their current plans as we know them, and we do know them fairly well, but we don't know whether they will change in the future. But right now if we took all of the NATO escorts that are available, plus the Spanish as an example—

Admiral COUSINS. And the French.

Admiral PRICE (continuing). There would be a total of [deleted] escorts in the whole group including [deleted] French and [deleted] Spanish escort types. Now, certainly a considerable number of these are obsolescent and—

Senator BYRD. How many destroyers do you plan so have in your program?

Admiral PRICE. We are asking—we would like to have at least [deleted] sir, total escort forces.

Admiral COUSINS. These [deleted] would bring us to about [deleted] by the end of 1979.

Senator BYRD. But, included in the [deleted] are the PF's included in the [deleted].

Admiral COUSINS. Yes, sir.

Senator BYRD. So you plan to have [deleted] what I call destroyers?

Admiral PRICE. No, sir; these are comparable in most ways to the old World War II destroyers, sir, except where the threat and the warfare have changed from the previous time, but these are good competent ships for all ASW work.

Senator BYRD. And this item, was it submitted to the House committee? It hasn't been submitted to anybody except today to the Senate committee; is that it?

Admiral PRICE. Yes, sir.

The CHAIRMAN. It might have been presented but it wasn't a budget item.

Admiral COUSINS. That is right.

The CHAIRMAN. You haven't presented this to the House, have you?

Admiral COUSINS. No, sir.

Senator BYRD. It has not been presented to the House?

Admiral COUSINS. Only in Mr. Packard's letter.

Admiral JOHNSTON. To Senator Stennis.

SHIP DIMENSIONS

Senator McINTYRE. What is the beam, is that the width?

Admiral PRICE. Yes, sir.

Senator McINTYRE. 43.9 feet?

Admiral PRICE. Yes, sir.

As I mentioned, as we refine the ship those will change slightly.

Senator McINTYRE. A very narrow ship, 420 feet long.

The CHAIRMAN. Senator BYRD, on the budget recommendation, I stated earlier while you were out of the room that we haven't received it yet from the Budget Bureau. Admiral Cousins sent us word yesterday that it was on its way so we scheduled the hearings on this assumption. I believe it was the day before yesterday.

Admiral COUSINS. We have Mr. Packard and OMB blessings.

The CHAIRMAN. I have a letter from Mr. Packard saying it would be forthcoming.

Senator BYRD. My reference was whether it was in the original budget request that came in January.

Admiral JOHNSTON. No. Admiral Zumwalt covered it in his statement before this committee in March and stated that as soon as he could get it in proper form to present it to Congress he would.

Senator McINTYRE. That is right.

The CHAIRMAN. All right. Have you anything else, Senator Byrd?

Senator BYRD. No.

The CHAIRMAN. I have just a question or two more.

NATO NEED FOR ESCORTS

Admiral, all of us around this table are certainly interested in the Navy and want to get it what it has to have. But this presents a lot of problems to us.

I remember sitting right around this table and hearing General Eisenhower testify about NATO, the creation of it, the formation of it. Among other things, incidentally, he said he was willing to stake his place in history upon the success of the venture, and I remember how he outlined so clearly the mutuality of this undertaking. Everything was going to be worked out and each would put up what they could and we would span the gap while they were on their knees over there and they would come through and so forth. There was an allotment made later about many things that each was to furnish including ships somewhat along this line.

What my question is now, has there been any formal determination and conclusion within the last year between the NATO allies, about the need for additional convoy or escort ships and how many each will supply over a period of time?

Admiral COUSINS. I don't believe that I can say accurately there has been a redetermination or new agreement about which escorts. I can say I listened to Secretary Laird when he returned from the ministerial meeting in December or January. He was cheered and confident that those countries were going to be more forthcoming with their contributions to conventional defense.

The CHAIRMAN. I know. We had this up in debate on the bringing the troops home amendment, I think there is something to it, but that is rather general in answer to my question here. Have you anything more that has happened along this line.

Admiral COUSINS. I know of none.

The CHAIRMAN. If you know about it, send us the conclusions and formula if you will.

Admiral COUSINS. I will.

(The information follows.)

NATO has conducted research and study relative to which areas of NATO defense should be emphasized in the 1970s. A recent major NATO study, "Alliance Defense in the 1970s," (AD-70) concluded that the highest priority for maritime forces includes improvement of [deleted]. The study did not address specific numbers and types of ships to be provided by specific countries, [deleted].

PRESENT SITUATION

The CHAIRMAN. If we should go to the floor with these matters, we certainly need everything we can get of that kind.

Again, not trying to throw obstacles up but I note that in the last year or a little more, we have had this SAM-D missile up, you know, and that is going to cost \$3.9 billion present estimates, [deleted].

Senator McINTYRE. [Deleted.]

The CHAIRMAN. I don't know whether that is part of any agreement or not but it is largely voluntary on our part. The war is not over in Vietnam, and we have in the procurement bill a request for money to go to Western Europe on the [deleted]. No proof that any other nation is going to take any part in it, just the United States, getting ready for a big conventional war on our initiative. Germany said they were interested and they were watching and if it worked out, why they want to get in on it. That is the closest we have.

These convoys are admirable things for you to be interested in and you should be interested in but that is the third item that has come in on us and war is still going on in Vietnam, we are not out of there yet. We can't even pass the draft bill.

We are totally deadlocked in conference until someone gives and then we have this resolution about coming out of NATO. That is the atmosphere we are facing. We have the Secretary's statement here to be quoted against us and I remember when he was encouraging that talking about going to do something on the convoy. It was General Eisenhower's whole concept that we do some of the big stuff and they would fill in at the bottom. Well, that is what we are up against here, and then our own idea of our priorities.

Senator McINTYRE. Mr. Chairman.

The CHAIRMAN. We have to put aside a lot of our thinking about submarines to run this.

Senator McINTYRE. Just one observation, because you know I have discussed this SAM-D and electronic sensors and worried about them. SAM-D represents a very significant amount of dollars of R. & D. and it would seem the ships here if they don't prove out, can be turned off. So I don't think we have quite the problem that on the electronics equipment which could be prepositioned.

The CHAIRMAN. I agree it doesn't have that problem.

Admiral COUSINS. I would say, if you would bear with me 30 seconds, as Admiral Zumwalt said so many times and I subscribe to it fully, control of the seas is so essential to the country and perhaps we focus unduly on the NATO convoy requirements, but in my opinion these ships are required for protection of our own shores as much as they are to assist our friends.

The CHAIRMAN. All right, well, Admiral Zumwalt is a go-getter, is a worker, and he goes after things. I admire that in him but we have this question.

Senator Smith.

PREPARED QUESTION FROM SENATOR SMITH

Senator SMITH. I have no further questions except I may want to submit one for the record.

The CHAIRMAN. All right.

(Question submitted by Senator Smith. Answer supplied by Department of the Navy.)

Question. During your presentation you state that you have taken into account all lessons learned in past ship procurement programs and that you now contemplate building the PF in three shipyards. Would you provide for the record a list of the ship programs that persuaded the Navy to plan on three shipyards in lieu of placing the entire program in one shipyard?

Answer. No specific ship programs persuaded the Navy to plan on three shipyards in lieu of placing the entire program in one shipyard. The Navy evaluates each ship's procurement in light of the requirements of that specific program. Many factors are taken into account including our past procurement experience. The current work loading of the shipyards throughout the country, the delivery rates desired, the size and complexity of the ship and the numbers to be procured are all factors considered in selecting the procurement method to be used. Each program is evaluated on its merit and the method considered optimum is chosen.

The CHAIRMAN. Senator McIntyre.

Senator McINTYRE. No questions.

The CHAIRMAN. Senator Byrd.

Senator BYRD. No questions.

The CHAIRMAN. Anything else you want to add?

Admiral COUSINS. No, sir; thank you.

The CHAIRMAN. Admiral Price.

Admiral PRICE. No; thank you.

The CHAIRMAN. Admiral Johnston.

Admiral JOHNSTON. May I say one thing. I would like to say that no one in the Navy downgrades the attack submarine. However, the SSN now takes up about one-third of the annual shipbuilding budget which is directly chargeable to new ship construction. To give you an example, it is close to \$900 million out of slightly less than \$3 billion. So it is approximately one-third already.

There are some things a submarine cannot do. For example, it cannot handle a missile or bomb in the air, there is nothing it can do about it, but this ship can. The PF is really not in competition with the submarine, it is an integral part of the antisubmarine warfare team, just like the P-3 is not in competition with the submarine either. And we also regret, Senator Byrd, having to come up here at the last minute with this program but we didn't have it in the proper legislative form until just in the last week and we would certainly hate to lose a whole year; we thought since you were still having hearings and you hadn't marked up the bill we would go to the Secretary of Defense and the President and try to get permission to come to you, which is what we did.

PREPARED QUESTIONS FROM SENATOR STENNIS

The CHAIRMAN. We are indebted to you for what you are doing and what you are trying to do and we will consider this matter, all you have said plus the things you are going to send in to us.

(Questions submitted by Senator Stennis. Answers supplied by Department of the Navy.)

Question. Admiral, we all know the concern about the Russian gain in submarines and the threat it poses to us. Also the need for a vigorous submarine program for our own Navy. There is some concern that maybe we should spend more money on submarines rather than other parts of the Navy. I want to raise two questions here:

(1) First, give the Committee the precise formula as to how the Navy divides the budget as to how much will go into its strategic forces and how much will go into the general purpose forces to fight conventional wars. The patrol craft, of course, is in this category.

(2) Why would it not be the better course of action to spend part of the [deleted] you propose on these small vessels into the submarine program to defend us against Russia rather than to provide convoy escorts to NATO which is what this program is all about?

Answer. There is no precise formula used by the Navy to determine the allocation of budget funds for Strategic and General Purpose Forces. The process used is the Department of Defense Planning, Programming and Budget System. This system consists of an orderly progression of intelligence collection and threat appraisal which are continuously done, and the annual development and approval of the national and military strategy. These actions are followed by development of forces to support the strategy.

The forces are fiscally constrained by the fiscal guidance issued by the Secretary of Defense. Because of this fiscal constraint, risk statements are developed that show the risk of force levels.

Factors that influence force levels within the Strategic and General Purpose Force Programs include: the threat and risk considerations (this includes modernization of of forces versus forces in being and the balance of forces needed for the jobs that need to be done), the peacetime commitments (deployments for NATO and SEASIA), the SECDEF allocation of dollars by service and mission, the readiness of forces (which includes logistics support, manning levels and tempo of operations), and the total force concept (which considers Reserve forces and the forces of allied nations). Following force level decisions the operating, support and procurement costs are programmed. The annual planning, programming and budget system culminates in the transmittal of the President's Budget to Congress. The series of events in the CY 1970 Planning, Programming and Budgeting System resulted in the 1972 budget including \$1.42B in the Strategic Program and \$11.25B in the General Purpose Force Program.

First, it is important to make one point clear. The purpose of the PF program is not solely nor primarily to provide convoy escorts to NATO. We need additional escorts to protect our Naval shipping in any future naval confrontation independent of the requirement for escort of NATO convoys. Also, it is essential to point out that these Patrol Escorts will play an important role in defending the United States against Russia and other possible enemies by protecting our sea lanes and the nation itself from a submarine mounted threat. The threat is a broad one, and we need a balanced force to cope with it. Our submarines are indeed excellent weapons systems, but they, like all other ASW platforms, have both capabilities and limitations. Submarines are primarily an attrition weapon system which is extremely effective when they are used in the hunter role and are free to select the conditions and location of an encounter. Under these conditions, such as in a barrier, they will take a heavy toll of the enemy, but our potential enemy has a large and growing force and we cannot expect our submarines to achieve 100% attrition.

We must, therefore, provide protection for our high value ships and cargoes which travel over the sea lanes. The protection provided must be able to counter every type of expected threat and must be able to effectively carry out these duties anywhere in the world. There are command and control problems associated with employing submarines as escorts for surface convoys or forces. It is essential for the surface force to know exactly where the friendly submarines are at all times to ensure that they do not launch an attack against our own forces. Therefore, we will employ the submarines, which would be available for the task, as distant escorts, utilizing their effective sensors and weapons to detect and destroy the enemy before he gets within missile or torpedo launching range. Again, however, the submarine cannot be 100% effective and the PF is urgently required as a defense weapon system to counter the enemy submarines that evade our advance submarine escorts.

Therefore, the PF has an important and three-fold capability: one, to detect and attack the enemy prior to weapon launch; two, to decoy away from its target either a torpedo or missile once it has been launched; and three, to destroy an anti-shiping missile from submarines, aircraft or surface ships. The PF is also relatively inexpensive and three or four can be procured for the cost of one submarine.

These, and many other considerations, lead us, as experience has taught, to seek a balanced Navy—one that can respond to any type of threat. The patrol escort that we propose will supplement our existing and planned assets to provide the balanced force we seek. The PF will protect our sea lanes against anti-shiping missiles launched from submarines, surface ships, aircraft or even shore sites. The PF will also be a working member of our balanced ASW team able to accompany our ASW Forces and other Naval units and convoys wherever they may have to go. The PF is also a multi-purpose ship with a capability for blockade or surveillance if the need develops.

Question. Why shouldn't the NATO allies, as Mr. Laird has already indicated in his posture statement this year, assume a greater role in escort work? This is something they could do within their own capabilities. Or, if not, why shouldn't they pay part of the cost for building these ships since the purpose of these ships is to defend their own people?

Answer. The answers to your questions are entwined in the various political and economic constraints which the individual NATO nations see themselves confronted with. Suffice it to say that the U.S. Navy would welcome and support greater participation by other NATO Navies in the overall escort effort, whether this be in the form of providing more ships themselves or subsidizing part of our building program or both.

Question. How many ships do our NATO allies, including France, have, and why can't those be used to offset your stated deficiency in escort type ships?

Answer. As Admiral Price has indicated, Navies of our NATO Allies have approximately [deleted] escorts which includes [deleted] French escorts. If one were to add the [deleted] Spanish (not a part of NATO) destroyers, the total would come to about [deleted] escort types. As I have previously indicated, the assets of our NATO Allies are scheduled for use in escort roles, but the overall requirements are such that we still have a very large shortfall.

The CHAIRMAN. Thank you very much.

(Whereupon, at 12:55 p.m., the committee was recessed subject to the call of the Chair.)

MILITARY AUTHORIZATIONS, FISCAL YEAR 1972

THURSDAY, JULY 22, 1971

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

The committee met, pursuant to notice at 10:20 o'clock a.m., in room 212, Old Senate Office Building, Hon. John C. Stennis (chairman) presiding.

Present: Senators Stennis (chairman), Symington, Ervin, Cannon, McIntyre, Byrd, Jr., of Virginia, Hughes, Bentsen, Smith, Dominick, Goldwater, Schweiker, and Saxbe.

Also present: T. Edward Braswell, Jr., chief counsel and staff director.

The CHAIRMAN. This meeting is called to receive a statement from Mr. Laird preparatory to a markup of the bill next week, to see what changes have occurred in the past 5 months, since he was last here, and testified on the ABM.

It is also called for the purpose of hearing Mr. Laird and others concerning this problem of the military aid that is authorized in this bill, the use of military aid funds in Indochina. It is primarily, of course, in South Vietnam for their army and their men, partly for the Korean forces that are there, and also some activity in Laos and a little in Thailand. This year Cambodia is not involved. We put quite a limitation on the use of the funds, it was extensively debated on the Senate floor and then it was all redebated when the appropriation bill came up and additional language was added each time.

This year the bill that is proposed has in it the limiting language that we adopted last year and became law. Now the question has been further raised about limitations on funds that could be spent in Laos, putting a ceiling on them, and that is the first amendment by the Senator from Missouri.

Now this is executive session and that means we regret it but we have to ask all of you that are not here as witnesses to please retire. Those who are going to testify and have aides essential for their testimony, can stay, but this matter is highly sensitive and I have asked the committee staff to be limited to Mr. Braswell. He is the one who goes into matters about the CIA for us.

In addition to Mr. Laird, we have with us Mr. U. Alexis Johnson, the Under Secretary of State for Political Affairs, and Mr. G. McMurtrie Godley, the present U.S. Ambassador to Laos. We are delighted to have all of you gentlemen here.

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The activities of the U.S. Government in northern Laos, exclusive of the trail, is a complex matter, as to the division of responsibilities in the executive branch and the method by which these various activities are funded. Prior to receiving the testimony of these gentlemen, the Chair will review certain aspects of this program.

LEGISLATIVE HISTORY

I should first emphasize that the Southeast Asian funding relates to the authorization of funds for non-U.S. forces in Vietnam, Laos, and Thailand. This provision, first enacted in fiscal year 1966, in substance authorizes the use of regular Department of Defense appropriations to support non-U.S. forces in these countries for the purposes stated in the provision. I should emphasize several aspects of this funding merger provision:

(a) The various items and support elements used for the non-U.S. forces do not appear as line items in either the Department of Defense authorization nor appropriation bills but are taken from the regular line items authorized for the use of U.S. Forces;

(b) The recommended figures under this authority represent estimates of what will be used in these three countries subject to the overall \$2.5 billion limitation that has been adopted over the past 2 years.

For several years the fiscal year 1966 language remained unchanged. Beginning in fiscal year 1970 certain limitations have been added each year to this authorization.

The particular provision being considered this year is set forth in section 401 of the House bill which will be incorporated in the record at this point. This version is identical to that which was finally adopted as a part of the Defense appropriation for last year, fiscal year 1971.

The Chair would note that heretofore this language has been set forth in both the authorization and the appropriation acts.

In substance, this provision authorizes not to exceed \$2.5 billion out of regular Department of Defense funds for the use of (a) Vietnamese and other free world forces in support of Vietnamese forces, (b) local forces in Laos and Thailand. The Chair would also note that the bill provides that "Nothing in clause (A) of the first sentence of this paragraph shall be construed as authorizing the use of any such funds to support Vietnamese or other free world forces in actions designed to provide military support and assistance to the Government of Cambodia or Laos: Provided, That nothing contained in this section shall be construed to prohibit support of actions required to insure the safe and orderly withdrawal or disengagement of U.S. Forces from Southeast Asia, or to aid in the release of Americans held as prisoners of war."

USE OF FUNDS AMONG THE THREE COUNTRIES

The Chair would like to note at this point how the \$2.5 billion authority would be utilized in fiscal year 1972 among the countries involved. It should be emphasized that these figures represent new obligational authority and therefore will not be the same as the so-called program cost which includes moneys and equipment appropriated for in prior years as well as money that may be used out of

the fiscal year 1972 appropriation. The total estimated amount from DOD appropriations is \$2,303.6 billion. Of this total, \$1.9 billion is for non-U.S. forces in South Vietnam. The biggest item is \$1,114.7 million for procurement. This includes all the various items issued to the South Vietnamese Army. Another item is \$524 million for operations and maintenance which is for the gasoline and supplies used by the South Vietnamese Army. There is a total of \$195.9 million for Korea and this goes to support the South Korean troops now in Vietnam. I might add that \$103 million of this total relates to personnel costs. Next, with respect to Thailand, the estimate here is a total of \$68.1 million which goes for various items of assistance relating to personnel, O. & M., and procurement.

The total with respect to Laos is \$138.5 million.

Insofar as the Chair knows, there is no great controversy regarding the costs of these various elements other than those for Laos which is the subject of our hearing today.

TOTAL COST FOR LAOS

In addition to the Department of Defense elements, there is also funding for Laos through the Agency for International Development and the CIA, plus direct costs of the bombing support in northern Laos.

According to figures furnished by the DOD and other agencies, the budget request in terms of new obligational authority for fiscal year 1972 for Laos will total \$407.5 million.

In terms of program costs, that is, moneys and value of all equipment to be used for fiscal year 1972, the total cost will be approximately \$490.2 million.

CONTROL OF OPERATION

It is the understanding of the Chair that the Department of Defense has no operational control over various American activities in Laos but that these are under the control of the American Ambassador, both for economic and military efforts.

The Chair wanted to mention these background factors which we will get into in the course of the hearing.

The Chair would like to emphasize that some highly sensitive matters will be dealt with during the course of the hearings and everyone is urged to treat these matters with the proper sensitivity.

Before we go in this matter, though, about Laos, let's hear the Secretary about the ABM. Have recent developments played any part one way or the other in your thinking and recommendations on ABM?

STATEMENT OF HON. MELVIN R. LAIRD, SECRETARY OF DEFENSE

Secretary LAIRD. Mr. Chairman, I have a short 5-minute statement to update the last full appearance which I made before this committee and that would take 5 minutes.

The CHAIRMAN. Well, that is what I thought ought to be covered, that period, so you may read your statement.

Secretary LAIRD. In my first appearance before this committee with respect to the fiscal year 1972 Defense budget, I presented a detailed rationale in support of the administration's strategic forces programs for this fiscal year. During the course of the authorization and appropriations hearings, we have discussed our SAFEGUARD, MIRV, and other strategic programs in detail, and I feel that all of the basic issues have been covered at length. Also, we have discussed the relationship of these programs to the Strategic Arms Limitation Talks (SALT). This morning, as you requested, Mr. Chairman, I will comment briefly on recent amendments and proposals which would modify our planned program.

Let me address the amendment offered by Senator Humphrey. As we understand it, Senator Humphrey has proposed an amendment, the purpose of which is to establish a mutual freeze on the deployment of offensive and defensive nuclear weapons, to provide a more conducive atmosphere for SALT. Under his proposal, such a purpose is to be accomplished by an amendment to the authorization bill which would place all MIRV funds in escrow, and permit using them only if the President and the Congress jointly determine that such use was needed in order to guarantee U.S. retaliatory capability.

Mr. Chairman, as we have stated many times, there is no other Department in Government as interested as the Department of Defense in reaching agreements on mutual arms limitations. That is the purpose of the Strategic Arms Limitation Talks.

Our objective is to preserve needed capabilities while we seek an effective and acceptable agreement through negotiations. We continue to believe that until such an agreement is achieved, the place to bargain is at the bargaining table, rather than through unilateral actions which could adversely affect our national security.

As you know, the United States initially suggested at SALT possible approaches involving both quantitative and qualitative limitations on strategic systems, including MIRV's. We did not receive a favorable response to such a comprehensive approach.

I fail to see how taking unilateral actions in this direction now would enhance the prospects of an arms agreement. I do not believe that the national security of the United States should be placed in escrow. Rather, I believe it is necessary to continue those programs essential for our security—including both SAFEGUARD and MIRV—pending the outcome of our negotiating efforts.

While my above remarks relate primarily to Senator Humphrey's resolution and proposed amendment, they apply equally to other possible amendments designed to slow down or cancel our ongoing programs which have been approved by the Congress.

We must consider the national security aspects of such proposed actions very carefully. As I have stated many times, our programs are designed to provide for such security in the absence of an acceptable agreement, while at the same time providing flexibility for either upward or downward modification should such actions be necessary in the future. Therefore, we believe that the programs submitted in our fiscal year 1972 budget request offer the best possible path—a path which provides both for our national security in the absence of SALT, and for flexibility to adapt to SALT. We urge your continued support for these programs.

The CHAIRMAN. Thank you, Mr. Secretary. Before we proceed further, I have some questions here. I would appreciate it if you would answer these for the record.

(Questions were classified; replies when received were also classified and are retained in permanent committee files.)

All right, now, members of the committee, we have Ambassador Godley with us and he has another appointment for this afternoon with the Foreign Relations Committee. His testimony here this morning is going to be highly important, so if it is agreeable with the committee I recognize the Senator from Missouri because he has an amendment on the ABM on the table here before us. Senator Symington.

Senator SYMINGTON. Thank you, Mr. Chairman.

Mr. Secretary, I read your statement with interest. I have never been one overly interested in controlling MIRV at this time because I do not yet see how you can inspect adequately whether or not any agreement was being lived up to. That was why, when it came to the SALT discussions, I was glad to not talk about segregating the ABM from the offensive weapons, working in parallel as someone said.

So far as the ABM is concerned, it did not go to Boston, Chicago, or Seattle at the time this system was called SENTINEL because, at least partially, of strong objection by the people in those parts of the country. Now, however, the plan is to put an ABM unit close to one of the major cities in my State.

In any case, I do not believe this ABM will work, have studied it to the best of my ability and listened to all those in turn interested in the subject. Even if it does work, it can be relatively easily saturated by the Soviets who certainly will know how many SPARTAN's and SPRINT's are at each installation.

In the hearings we requested from Dr. Pafnosky and Dr. York who once had the job Dr. Foster has, whether they felt release of the approximate number of SPARTAN's and SPRINT's was against the national security? Both said they did not. Dr. O'Neill, who testified for the ABM, volunteered that he agreed they could be published without affecting security.

I would hope you would give consideration to publishing this approximate number, which Dr. Foster has consistently refused to do, because the publishing of the approximate number of SPARTAN's and SPRINT's at each location would in itself prove how easy it would be, with little additional effort, for the Soviets to saturate the bases.

That is one of the chief reasons I suggest in my amendment that we continue with Montana and North Dakota, so you and everybody else will have a better feel after the computer is completed and we have actually tested the system; in the meantime not continue at the other two bases.

That is my position, I appreciate, Mr. Chairman, the opportunity to present it.

The CHAIRMAN. Thank you. That is fine. If there are no other remarks or questions at this time we will proceed now to the matter of military aid in this bill for the countries named. To get it now in focus before the committee, let me call your attention briefly to the breakdown, and I am dealing here with a figure of \$2.3 billion. We had

in the fiscal year that has just expired \$2.5 billion. Of the \$2.3 billion requested this year \$846 million goes for procurement for the South Vietnamese Army. \$524 million goes to what we call operation and maintenance of the Vietnamese Army; \$195 million, and I am using round figures, for support of the Korean Army in South Vietnam. I judge that these are agreeable.

The next item, \$68 million for operation and maintenance and procurement to the Thai Army in Thailand, (and Thai forces in Vietnam) those forces in their own area. I judge that is acceptable. I think we can find a way to handle this in an orderly way in keeping with our responsibilities and reach a sound decision, whether we are all unanimous on the same figure or not, that is what we can and will do, and I think that a highly valuable witness is our Ambassador to Laos.

Ambassador Godley, you come here with a reputation for being a man of vigor and down to earth. You get the job done and we are delighted to have you here. You can cover anything you wish, but we want to include this proposition that I have just referred to, the spending of this money over there.

Now if you will let me refer back to the committee just a minute. I have before me, members of the committee, the document here "1972 Estimates for Expenditures in Laos" and it totals \$407 million for the budget figure. In a parallel column, we have what they call the program figure which is some more. We can get into that.

Are you prepared to testify on the whole picture including some of these funds that have been handled?

Secretary LAIRD. I think, Mr. Chairman, we are prepared to give first a brief overview of all of the funding and the policy and then we were going to go to Ambassador Godley.

The CHAIRMAN. All right.

STATEMENT OF AMBASSADOR U. ALEXIS JOHNSON, UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS

Mr. JOHNSON. Ambassador Godley does not have a prepared statement and I have a prepared statement and he would be prepared to answer any questions.

The CHAIRMAN. I want to be sure to get to him, gentlemen. Every one will have a chance to ask him questions and it may take some time. You are an important witness, too, and we want to hear you also, of course.

Senator SYMINGTON. Mr. Chairman, I have to leave at 20 minutes of 12. Those figures, I am sure the Secretary will agree—he has been forthright—do not include the bombing of the Ho Chi Minh Trail.

Secretary LAIRD. Those particular figures do not include the air operations in the Ho Chi Minh trail area of Laos.

The CHAIRMAN. Well, we want to get down to the issue and be sure to let Senator Symington have all of the time he wishes.

Mr. JOHNSON. Secretary Laird had a brief statement. And I think I have a brief statement that may lead to the background for questions you may want to ask Ambassador Godley, if that is agreeable.

The CHAIRMAN. Very good.

Secretary LAIRD. Mr. Chairman, you assumed that the figures you just referred to a few minutes ago do not include the total air operations as far as Laos is concerned. I think there is approximately \$143 million for North Laos involved in those figures but the figures do not include the other amounts that are involved and certain other transfers.

Mr. Chairman and members of the committee, I would like to discuss briefly the background of our Military Assistance Service Funded (MASF) programs in Southeast Asia and the reasons associated with inclusion of such an item in Department of Defense military functions appropriations rather than the Military Assistance Appropriation. Ambassador Johnson will discuss certain regional aspects of this program and its relationship to Laos; Ambassador Godley will answer questions on operational aspects.

As you know, the Department of Defense is not operationally involved in military ground activities in Laos.

In the early stages of the war in South Vietnam, it became clear that the military assistance procedures geared to a peacetime operation were not flexible enough to meet the demands of a war environment. It was impracticable to maintain the required accounting support in a combat area to segregate the equipment and supplies provided under MAP funding from those financed under the military functions appropriations. This coupled with the dynamic changes in requirements for support of both free world and U.S. forces made it essential that such support be merged, budgeted and administered under military functions appropriations.

As U.S. forces moved into South Vietnam, it was apparent that the overall requirements to cope with the existing conflict had to be judged not just in terms of benefits to the recipient country but also with respect to the impact on our own forces.

Based on our experience in Korea, where forces of the U.S. and other nations were intermingled, and where joint operations under United Nations command were established, it was decided that the best way to fund this overall effort was through the regular military functions appropriations for the Defense Department. As a consequence, the MASF program was established in our military functions budget, to include military assistance to South Vietnam, Thailand and Laos.

The Congress agreed to the transfer of support of forces in South Vietnam and related costs from military assistance to military functions appropriations in fiscal year 1966 (Public Law 89-364, March 15, 1966). As the result of the interrelation of Communist actions in Laos, Thailand, and South Vietnam, support of local forces in Laos and Thailand was transferred from the military assistance program to military functions appropriations in fiscal year 1968 (Public Law 90-22, June 5, 1967). This budgeting procedure has been approved by the Congress in all subsequent Defense authorization and appropriation acts. It is still essential to the conduct of operations in this area, and is similar to the practice followed during the Korean War.

Such a procedure has afforded the advantage of common budgeting with the U.S. defense budget in an area where large numbers of U.S. forces were deployed, and of savings represented by a common

logistics system. It further enabled us to integrate force planning in an efficient manner. Such integrated planning has made it possible under Vietnamization to turn more and more of the combat responsibility over to the South Vietnamese, and to withdraw more and more American troops.

Our fiscal year 1972 military assistance program for Laos is estimated at \$221.2 million. This program is designed to support the Royal Lao Army, and certain irregular units [deleted]. We have included \$138.5 million in our fiscal year 1972 budget request to support this program.

The fiscal year 1972 program of \$221.2 million for Laos exceeds the \$138.5 million in the budget by \$82.7 million. The program is a management tool utilized by my office and intermediate commanders to establish a constraint on the total resources to be provided to a country as contrasted to the amounts included in a specific year's appropriation request to the Congress. The program figure will exceed the budget figure for each fiscal year because the program level can be partly supported by stocks which will not require replacement, including excess or long supply stocks.

If such stocks are used, they do not count against the budget because they were bought in prior years for U.S. Force requirements and are no longer needed for that purpose.

The program, in other words, gives OSD a more precise control because (1) through the program we can examine and approve the item content of our assistance and (2) it establishes a total resource constraint. The budget amounts are the funds needed in the stated fiscal year to procure equipment specifically for the Lao Government and for operation and maintenance support for Lao forces.

The fiscal year 1972 program for Laos includes [deleted] for support of certain irregular units in Laos. A portion of their logistic support can be provided from stocks not requiring replacement.

As I noted previously, the military services do not engage in activities and operations on the ground in Laos. Because it is necessary that the overall activity in SEA be coordinated, nonmilitary agencies of our Government have been given responsibility for operations in that country.

[Deleted.] Such a procedure, which permits tradeoffs to be dependent upon the existing situation, provides for flexibility in terms of prosecuting appropriate programs throughout Southeast Asia. In our judgment, we need to continue this arrangement to permit the most effective use of the resources available.

The CHAIRMAN. Thank you very much, Mr. Secretary.
Mr. Johnson.

Mr. JOHNSON. Mr. Chairman and members of the committee, I welcome this opportunity to appear before you to discuss this program in Laos because I feel that there has been much misunderstanding with regard to it. On completion of my statement Ambassador Godley will be prepared to answer any questions which you may have.

The central fact of the tragedy in Indochina has tended to become obscured in recent discussions. The fact is that the real cause of the continued fighting in Indochina today is the presence of a quarter of a million North Vietnamese troops outside the borders of North

Vietnam. These forces were sent out by the leaders in Hanoi to South Vietnam, Laos, and Cambodia with the principal purpose of bringing South Vietnam under their control. Thus these forces have also attacked the Governments of Laos and Cambodia in an attempt to impose North Vietnamese control over these countries as part of the overall plan.

When this administration came into office it found this Nation deeply engaged with over half a million men in Indochina in an effort to combat those North Vietnamese forces. That effort had then already cost us over 30,000 men killed and tens of billions of dollars spent. While the countries of the area were making heavy sacrifices in the struggle against the North Vietnamese, the United States was bearing what seemed to many Americans to be a disproportionate share of the burden. The basic thrust of our policy in Southeast Asia has been to turn more and more of the burden of the struggle against the North Vietnamese over to the peoples directly threatened. We must do so, however, in a manner which will permit them to defend themselves and eventually to convince Hanoi that it must accept a settlement that, while not threatening North Vietnam, provides peace and security for the other countries on the peninsula.

With the progress the free nations of Indochina have already made in shouldering the burden of their defense against aggression from Hanoi, we have already withdrawn over 300,000 men from Vietnam and 16,000 from Thailand. But a reduction in direct U.S. participation in the military struggle in Indochina inevitably has imposed heavier burdens on the local non-Communist forces, burdens which they could bear only with continued and, in some cases increased, material assistance from the United States. To assert that these countries, in the face of continued military action by North Vietnamese forces supplied from the Soviet Union and China, can shoulder the burden which was borne so long by our fighting men without continued military and economic aid is to defy simple logic.

To adopt a policy depriving them of that aid would simply be a formula for turning Indochina over to North Vietnam. There should be no mistake about that.

The Nixon doctrine, the foundation of our policy in the entire area, was premised on the assumption of greater security responsibility by the countries directly concerned, and anticipated increased U.S. material assistance to help them pick up that task.

Some of our aid has been, and must continue to be, in the form of U.S. assistance to security cooperation among the countries of the area. Some important recent examples of aid by the people of one country to their neighbors have been South Vietnamese military operations against Hanoi's forces in Laos and Cambodia and the participation of Thai volunteers in guerrilla operations in Laos as irregular forces under the command of the Royal Lao Government. In view of the North Vietnamese role in all aspects of the conflict in Indochina, these operations are all related in one degree or another to the Vietnamization program.

That these countries should be helping each other, in spite of the relatively limited manpower which they have available, results from their recognition that their own vital interests are involved. Both

South Vietnam and Thailand are aware of the interconnection of the various threats in the entire region posed by the North Vietnamese, supported by other Communist countries. In the case of Thailand, that country cannot remain unconcerned about North Vietnamese aggression in Laos. The Thai have a 1,000-mile border with Laos and 8 million ethnic Lao live in northeast Thailand. If Laos were dominated by a Communist government controlled by the North Vietnamese, it would clearly be a threat to Thai security. As regards South Vietnam, unopposed North Vietnamese use of Lao and Cambodian territory in pursuit of their ambitions in South Vietnam gravely complicates South Vietnam's efforts to resist Hanoi's aggression.

U.S. support for cooperative efforts in Indochina is a key element of the Nixon doctrine. Not every small country will be able to resist the attacks of a larger one even with U.S. material support. Assistance from neighbors who have similar security concerns is a far preferable alternative to the use of U.S. military personnel. In many cases the cooperating country will be unable to assume the full burden of this regional assistance, and some U.S. support for these efforts will frequently be an essential element for their success.

The importance of U.S. support and regional cooperation comes into particularly sharp focus in the case of Laos. In part because of its geographic position, Laos is attacked and its territory occupied by the North Vietnamese even though, with its small population, it presents no threat to any of its neighbors. Laos has struggled to be neutral, and 13 foreign countries, including North Vietnam have undertaken to respect this neutrality. Nevertheless, North Vietnam has openly invaded Laos with over 80,000 troops and is also supporting some 40,000 Lao Communist forces. The Lao Government has with difficulty raised some 85,000 men, regulars and irregulars, to struggle against the North Vietnamese and Lao Communists along the long front in Laos. These forces require U.S. material support. Similarly the small number of Thai nationals who have volunteered to serve as irregular forces under the command of the Lao Government receive our support as do other forces in Laos. The absence of such support would undoubtedly lead to military and political collapse in Laos. Such a collapse would not only release North Vietnamese divisions now fighting in North Laos, but would also release the larger part of the North Vietnamese security forces guarding the western approaches to the Ho Chi Minh Trail. Thus, the effects on the program of Vietnamization could be very significant.

Additionally, Communist forces would be brought to the borders of Thailand, and thus greatly increase the security problems of that country.

Above all, it seems clear to me that now, just when the President has taken unprecedentedly bold initiative with respect to Peking and we are entering into an even more delicate period involving the future of Asia, it is not the time for legislation that could well bring about the collapse of one of the most vulnerable and geographically critical countries in the area.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. You had a good statement.

Mr. Ambassador, I believe you do not have a formal statement?

STATEMENT OF AMBASSADOR G. McMURTRIE GODLEY, U.S.
AMBASSADOR TO LAOS

Mr. GODLEY. No, I do not.

The CHAIRMAN. But you are here to answer questions.

I see you have a map. Do you want to illustrate on that map?

Mr. GODLEY. If I may, sir.

The CHAIRMAN. Well, I will ask you to present such points as you may wish and illustrate them as you wish.

Anything that anyone wants to ask, of course, can be asked but we have to settle this money matter.

How long have you been Ambassador there?

Mr. GODLEY. I have been there, sir, 2 years.

The CHAIRMAN. Now, you are familiar with what is listed here on the 1972 estimates for Laos. It has an item, Central Intelligence Agency. [deleted],

Mr. GODLEY. Yes, sir.

The CHAIRMAN. Now, that is supposed to go, as I understand, toward support of irregulars in Laos?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. You are familiar with that operation; are you not?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. And have a part in it to a degree?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. Is it under your direction?

Mr. GODLEY. Yes, sir, it is.

The CHAIRMAN. You tell this committee that a part of this fund is brought in question because of the proposed limitation amendment. We want to go into that and tell how it is spent and how it fits into the policy and make any comments thereon you wish.

Mr. GODLEY. Mr. Chairman, the Central Intelligence Agency equips, trains, and gives certain advice to roughly 30,000 Lao irregular forces. These men are recruited in Laos with the authority or with the approval of local Lao leaders.

The CHAIRMAN. Pardon me. You mean the government?

Mr. GODLEY. Yes, sir, or the military authority. The reason being that we have never wanted to create a separate military force in Laos. There are five military regions in Laos.

The CHAIRMAN. Pardon me, I don't like to interrupt you but while you are on that point, why didn't you want to create a military force in Laos? Just give us the policy there because the money follows the policy.

Mr. GODLEY. Yes, sir. Ever since 1962, it has been the policy of our Government to support and to assist the neutralist government and to assist Laos in defending its neutrality which was provided for in the Geneva agreements of 1962, which have never been respected by the North Vietnamese forces.

We were precluded in the 1962 agreements from introducing American or other foreign forces into Laos and article IV of the Geneva agreement, which was signed 9 years ago tomorrow, on July 23, 1962, provides that the introduction of foreign regular and irregular troops, foreign paramilitary formations, and foreign military personnel into

Laos is prohibited. However, article VI provides that the introduction into Laos of armaments, munitions, and war material generally except such quantities of conventional armaments as the Royal Government of Laos may consider necessary for national defense of Laos is prohibited.

Upon the signature of the Geneva Convention some 666 American military personnel who were in Laos at that time left the country. We estimate that there were over 6,000 North Vietnamese regular troops in Laos at that time. Only 40 of the North Vietnamese troops—and some of these 40 people, I have been told, included certain civilians—departed Laos through the ICC (International Control Commission) checkpoints.

Obviously, a large number of North Vietnamese armed forces remained in Laos at that time.

In late 1962, and particularly early 1963, it became apparent that the North Vietnamese were not going to respect the Geneva accords and military actions broke out mostly in Northern Laos and at the outset between the North Vietnamese and the neutralist troops of General Kong Le.

At that time the Central Intelligence Agency was asked by our Government to assist covertly certain Lao irregular forces. At the outset most of their efforts were devoted to working with the Meo tribesmen in the central portion of northern Laos. However, over the years the recruitment has taken place in all of the military regions of Laos except the fifth military region which surrounds the administrative capitol of Vientiane. The reason that no personnel has been recruited in the Vientiane area was that there were in the 1960's a series of coups. Military personnel played a rather prominent role in these actions, and the United States did not wish to become intimately involved in the internal political machinations or political military actions in that country.

The original concept of the irregular forces was to provide a guerrilla capability to harass the enemy's lines of communications and to leave to the regular Lao armed forces the more classical defensive role.

At the outset the thousand men who were in the second military region were broken down into small intelligence or small action teams. Over the years, unfortunately, however, the enemy buildup has continued and the SGU, Special Guerrilla Unit, has been developed and now normally consists of about a 330-man battalion.

During the last 9 years we have seen an increase in North Vietnamese presence in Laos. As I indicated earlier, it was estimated that in 1962 there were roughly 6,000 North Vietnamese in Laos. Just before Lamson 719 I personally am convinced there were over 100,000 North Vietnamese troops in Laos. At the height of Lamson 719, when the North Vietnamese made a major effort to repulse the South Vietnamese forces, my own opinion is that there were at least 120,000 troops in that country. Today I think the estimate is, as Ambassador Johnson indicated, conservatively at 80,000 North Vietnamese troops in Laos.

There are also approximately 40,000 Pathet Lao troops. These figures are all ballpark but I think they are fairly reasonable and one of the interesting things is that over the last years we believe that the Pathet Lao indigenous Communist forces have decreased from the neighborhood of 52,000 down to 40,000.

Now over the years the North Vietnamese have increased their role in the Lao fighting and whereas at the outset the North Vietnamese participation was in an advisory role or in a logistics role or an encadrement role, we have seen more and more North Vietnamese injected into the enemy order of battle, and in the last 4 or 5 years we have seen regular North Vietnamese line battalions, regiments and even in the last 2 years, divisions, being committed to Laos.

The CIA financed and assisted SGU's have been the backbone of the military effort in Laos.

[Deleted.]

The irregular forces in Laos today, as I indicated earlier, number about 30,000 men. These forces are organized into SGU battalions and these battalions now comprise about 330 to 360 men each. The size of the battalions are extremely misleading and they vary constantly.

[Deleted.]

As I said, there are SGU units throughout Laos [deleted].

[Deleted.]

I mention this because it is one of the answers to the question why are we in Laos, why are we devoting the resources and efforts that we are to maintaining Laos in neutrality, independence, and viability.

[Deleted.]

Now, why do we help them in the northern portion of the country. In the northern portion of the country we have seen over the last 6 months two major enemy thrusts. The most important one was in the Plain of Jars.

The CHAIRMAN. I am sorry the time pressure is on us here. If you could condense this. I want Senator Symington to be recognized shortly and give him a chance to ask questions.

Mr. GODLEY. The Plain of Jars and then also the Luang Prabang area. In these two the enemy did try to destroy completely the Lao forces and did not succeed. Had they destroyed the Lao forces, I believe it would be highly questionable if the Lao Government such as presently exists today would continue [deleted]. Also there are two enemy divisions at least tied down in the north, many trucks, anti-aircraft guns, and if there was no war in northern Laos those enemy assets could be used either in South Vietnam or Cambodia.

To get to the Thai volunteers, the Lao have been bled white by this war. Since I have been there the Lao have lost dead on an average of at least [deleted] men a day. Now, that is not a huge loss but in Laos there are only roughly 2 million people living in friendly areas. So their equivalent losses, I mean by U.S. standards, would be 100 times that figure.

The Lao Government is extremely conscious of these losses and is having a great deal of difficulty in recruiting effective personnel.

[Deleted.]

The Lao Government then sought other sources of manpower. The Lao Government also told every American visitor they did not want any American troops in that country but conscious of the Lao ethnic minorities in Thailand and the Thai manpower reserve, they sought assistance from the Thai Government in facilitating the volunteering of Thai individuals to serve in the Lao irregular forces. These batta-

lions were recruited in Thailand, were trained in Thailand, and upon completion of their training were sent to Laos where they are under the operational control of Lao military leaders principally, Gen. Vang Pao in the second military region. The Lao took this action with great reluctance.

The CHAIRMAN. Pardon me, you are still talking about the Thai irregulars now?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. Brought over into Laos?

Mr. GODLEY. Yes, sir. They did not want to have personnel coming from abroad to fight their wars. [Deleted.] They did not want to have these people but it was the only course they had at this time. My own conviction is that had the Thai volunteers not participated in the defense of Long Tieng and Sam Thong in the second military region, that those vital areas would have fallen to the enemy. The Thai volunteers have fought well, remarkably well. I happened to visit one outfit the other day and certainly physically they were the finest men in uniform that I have seen since I have been in Laos. So their presence there, I believe, is essential if the collapse can be avoided in Laos.

I am sorry to have taken so much time.

The CHAIRMAN. That is all right, I am going to yield.

Senator SYMINGTON. Thank you, Mr. Chairman.

I appreciate the courtesy of Senator Smith.

My interest could be divided into four main categories. First, what is going on in Laos. Second, what is the cost of what is going on in Laos. Third, if there are Thai mercenaries in Laos, it is the opinion of our lawyers that that is against the law. Finally, there is no secret about the way we finance the Central Intelligence Agency funds. It is my understanding this war is being run by Intelligence.

Secretary Laird, has testified the Defense Department was not conducting any military operations in Laos. Therefore, what is being conducted is being conducted by the CIA. I believe the cost of this war the CIA has been conducting over a period of years is a subject that should be public knowledge. The people of the United States have as much right to know about the cost of the Laotian war as they have about the cost of the Vietnam war.

Mr. Ambassador, first I want to thank you for your forthrightness with the people sent in to get information into your country. When I first asked to go to Laos in the fall of 1965, the Ambassador sent word that neither I nor any other Senator would be welcome in Laos: therefore, I met him at Udorn in Thailand. It was a rather remarkable meeting. I met him with [deleted] my escort officer [deleted.] I later did go into Laos, and found out many things, but didn't find out everything. Nor did the investigators sent out last year. This time, to the best of our knowledge, you gave information that in turn gave us the picture.

Your testimony plus that of Secretary Laird, clears up many of these matters.

I wrote a letter to the Secretary of State, and, Mr. Chairman, I ask unanimous consent that this letter of June 29 be made a part of the record. This letter has not been answered.

The CHAIRMAN. Without objection.

(The information referred to follows:)

JUNE 29, 1971.

Hon. WILLIAM P. ROGERS,
The Secretary of State,
Washington, D.C.

DEAR MR. SECRETARY: On June 7 a State Department spokesman told the press that the United States support for Thai troops in Laos began as a program authorized by President Kennedy, that the troops are in Laos at the request of the Prime Minister of Laos and that United States financing of these troops is "fully consistent with all pertinent legislation." As Chairman of the Subcommittee on United States Security Agreements and Commitments Abroad, I am interested in obtaining background information and documentation relevant to these assertions by the Department's spokesman.

In this connection we would appreciate your furnishing the Subcommittee with the following information.

(1) A description of the specific decisions taken by President Kennedy to authorize United States funding of Thai troops in Laos, and of the subsequent actions taken by United States diplomatic and military authorities to implement such decisions.

(2) An explanation of the funding procedure used to provide financial support for Thai troops pursuant to President Kennedy's original authorization.

(3) A description of Prime Minister Souvanna Phouma's request for Thai troops, including answers to the following specific questions:

a. When was the Prime Minister's request (or requests) made?

b. In what form was the request made?

c. To who and to what government or governments was it addressed?

d. What specifically did the Prime Minister request?

e. What did the Prime Minister's request say with regard to arrangements for financial support and publicity concerning Thai troops?

f. What response was given to the Prime Minister by the person, government or governments to whom the request was addressed?

(4) An explanation of how Souvanna's request relates to the various undertakings of the Royal Lao Government in the Geneva Agreements of 1962.

(5) A detailed explanation of any discussions, arrangements and agreements, formal or informal, involving the United States Government and the Royal Lao Government or the Government of Thailand relative to past or present United States financing and support for Thai troops in Laos.

(6) An identification of the departments or agencies which have provided funds for support of each of the various programs involving Thai troops in Laos.

Because the above request is relevant to the Senate's consideration of pending legislation having to do with United States expenditures in Laos, we would respectfully request that the information be provided at earliest opportunity.

Sincerely,

STUART SYMINGTON,
Chairman, Subcommittee on U.S. Security Agreements
and Commitments Abroad.

Senator SYMINGTON. You say there are 8 million ethnic Lao in northern Thailand.

Mr. JOHNSON. Ethnic Lao.

Senator SYMINGTON. That means that there are about four times as many ethnic Lao in Thailand as there are people under control of the Lao Government, and over twice as many Laos in Thailand as there are in Laos; interesting. I never heard that before.

Mr. Secretary, how can you reconcile the fact there was an amendment passed that no mercenaries could be trained and financed for fighting in Cambodia and Laos with the fact you have come [deleted] Thai battalions in Laos? We thought we were passing a law which prevented mercenaries being used.

The second question, how do you justify these people as volunteers when at the same time you say they were requested by Souvanna Phouma, head of the Lao Government: also in that [deleted].

It is hard to see now under those circumstances you can say they are volunteers. But even if they are volunteers, they are also mercenaries we pay to fight.

Those two questions I would like answers to before——

The CHAIRMAN. Excuse me, gentlemen. I am sorry to interrupt, but we have a final vote on the transportation bill, I will go right now and get back as soon as I can.

Senator SYMINGTON. I will stay until you get back.

The CHAIRMAN. I hope all will return. I consider this important.

Senator HUGHES. I would like to hear the answers to these questions, too. I don't want to miss a part of this testimony.

Mr. JOHNSON. We will wait until you return.

Senator HUGHES. I realize we are in a hurry, but this is of the utmost importance.

Senator SYMINGTON. The chairman knows I have to leave at 20 minutes to 12. If I could continue.

Senator HUGHES. I am not satisfied with that. It may be the best I can get.

The CHAIRMAN. I believe under the circumstances, Senator, that you will yield on that point. You will excuse me now.

Senator SYMINGTON. The figures of the actual cost of the Laotian war are figures we should develop for the record. The only figure the people of the United States know we are putting into Laos is some \$50 million in economic aid; but when you add up the figures, exclusive of the bombing of southern Laos and the Ho Chi Minh trail, you get nearly half a billion dollars, of which a large part is for the Thais that we are financing and training in Laos. If you add to that the bombing of the Ho Chi Minh trail cost, over a billion, it is over a billion and a half dollars annually that we are spending, one way or the other, in Laos.

My primary interest in having these hearings was to find out what is going on.

I would like you to cite, if you could, any other example, Secretary Johnson, where the United States is conducting military operations under the direction of an Ambassador, with the Department of Defense having no operational control.

Another question. Are there any other operations where those responsible for the operation, State Department or Ambassador, are not responsible for the funds in their own budget, but have the matter fragmented between the Department of Defense and the Central Intelligence Agency, as we have already discussed?

Third, as the committee understands, there are in northern Laos two North Vietnam divisions of about 10,000 men each; correct?

Mr. GODLEY. I can't guarantee that today, Senator, because I believe that one regiment of one division has been withdrawn. I just can't give you positive assurance on that. But I would say the figure of roughly 25,000 North Vietnamese in northern Laos is as good an approximation as I can give you.

Senator SYMINGTON. Would you give the committee the number based in North Vietnam along the trail, also the number in South Vietnam, and the number left in North Vietnam? Please supply those for the record.

Mr. GODLEY. I think we can.

Senator SYMINGTON. I again want to emphasize that my primary desire in getting these costs broken down is to find out the cost of the war currently being run by the CIA in Laos without the supervision of the Department of Defense. This war has been going on for many years. If it is a war and not a gathering of intelligence, it shouldn't be protected the way intelligence money given to the CIA is protected, when we formulate the budget.

I happen to be on the CIA Subcommittee, also; think I understand that particular problem.

We thought we had passed legislation—I am being redundant; forgive me—which prevented our mercenaries from going into Cambodia and Laos. Such an amendment was passed on the authorization bill and passed on the appropriation bill, but now millions of dollars are being spent, financing Thais who, according to one report yesterday, now plan to occupy indefinitely a part of Laos, in the western sector below the Mekong River.

How can you consider these Thai volunteers when they are [deleted]. Second, how can you send them there despite the law preventing U.S. mercenaries being sent into Laos? Would you comment?

Mr. JOHNSON. Well, you have raised a number of points here, Senator.

Senator SYMINGTON. Those two are the ones on which I would appreciate an answer.

Mr. JOHNSON. All right. First, I would say I respectfully do not agree that the term "mercenaries" can properly be applied to these forces. It is not an exact parallel any more than an American who went to Canada or to England during the war and enlisted in the RAF could be termed a mercenary.

Senator SYMINGTON. Well, then the law specifies local forces. Would you consider Thais in Laos local forces?

Mr. JOHNSON. I do consider them local forces, as they have severed their connections with the Thai Armed Forces.

Senator SYMINGTON. Why is then [deleted] in Laos?

Mr. JOHNSON. Those that were in the Thai Armed Forces, the larger part of them were not in the Thai Armed Forces at all, and they are completely under the operation and control of the Lao Government and the Lao military command.

Senator SYMINGTON. Even though their families are back in Thailand, you consider them local forces?

Mr. JOHNSON. Yes; I do consider them local forces. Any more than we will say Australians who enlisted in the British forces were certainly considered part of the British forces and not Australian forces.

Senator SYMINGTON. Then you believe you could recruit Cambodians and Malaysians, Australians or anybody you felt, by calling them local forces?

Mr. JOHNSON. If they entered the local forces. I mean if they become a part of and were a part of the local forces.

Senator SYMINGTON. Mr. Secretary, don't you think that somewhat specious?

Mr. JOHNSON. No; I do not.

Senator SYMINGTON. If you want to do this, why don't you tell us about it and explain the need?

Mr. JOHNSON. We have told you what has been done.

Senator SYMINGTON. I must say that is reaching pretty far out.

We have always supported what you wanted to do in the past as far as operations are concerned, we decided, however, it wouldn't be right, as we were moving out, to train people and send them in. Now you say they are volunteers, [deleted].

Do you want to stand on that testimony?

Mr. JOHNSON. I do. I feel that [deleted] bringing them into Laos, bringing them into the Laos forces under the command of the Lao Government and the Lao military command, I feel that they are Lao forces or local forces, Mr. Chairman.

Senator SYMINGTON. Mr. Ambassador, how long have you been in Laos?

Mr. GODLEY. Two years.

Senator SYMINGTON. [deleted].

Mr. GODLEY. [deleted].

Senator SYMINGTON. [deleted].

Mr. JOHNSON. [Deleted].

Senator SYMINGTON. Inasmuch as this war is being conducted by the CIA for the State Department, what would be your thought about the advisability of telling the American people its cost as we do with respect to other wars?

Mr. JOHNSON. I think we have. If I recall correctly, Secretary Rogers, I forget what date it was, spoke of the fiscal year 1971 cost as being around \$350 million exclusive of the air. That is about in the ball park figures that we have discussed.

Senator SYMINGTON. That was forced out in the last few weeks.

Secretary LAIRD. Senator Symington, I think it is only fair to say that this administration has been more forthright about the operations in Laos than at any time since we have been involved in the Lao operation.

Sitting in the House of Representatives, I served on the committee similar to the committee which you serve on, and I was aware of these operations over a long period of time.

Senator SYMINGTON. That is a vote.

Off the record.

We will recess until the return of the chairman. Thank you for your courtesy.

(Whereupon, at 11:30 a.m., a short recess was taken.)

The CHAIRMAN. Our committee will resume. I regret very much that time has been against us here and did not allow Senator Symington to finish his questions. He had a medical appointment that he could not postpone any longer, and I want to reserve the right for him to submit any questions, gentlemen, that he might wish in writing, and that you will supply the answers. Please hand them to us for the record.

Mr. JOHNSON. We will be pleased to do so.

Senator BYRD. Could we get from the witnesses replies to the questions put by Senator Symington?

The CHAIRMAN. Oh, yes. You mean these that are in the record already?

Senator BYRD. The four questions that Senator Symington put before leaving.

The CHAIRMAN. Yes; we can go into that. Were they written or stated?

Senator BYRD. The questions Senator Symington put to the witnesses prior to the vote.

The CHAIRMAN. They had not been answered?

Mr. JOHNSON. The first question that was asked—I might like to have them restated. The first question he asked was with regard to the legality—

The CHAIRMAN. Yes.

Mr. JOHNSON (continuing). Of the Thai volunteers in Laos. And my answer to that question was that I did not feel that it was in violation of the Fulbright amendment because these forces were forces under the full operational control of the Lao Government and the Lao military command. They are in our view Lao forces and local forces under the terms of the amendment. The fact that their nationality is different, where they come from Thailand, as far as the Thai volunteers is concerned, doesn't change the fact that they are Lao forces or local forces as used in the amendment.

The CHAIRMAN. I have a copy of the questions and I will ask them again for the benefit of the membership.

Mr. JOHNSON. I will be glad to give more considered and written replies to them.

The CHAIRMAN. Well, I want to say while you are on that subject matter now, you have testified here of two instances where the operation was handled by the CIA. One was that the Thai irregulars in Laos, [deleted].

Mr. Godley. I don't have information on the detailed expenditures of those funds or the breakdown.

The CHAIRMAN. I know.

Mr. GODLEY. They can be made available to the committee.

Secretary LAIRD. I have made them available to the chairman and to the committee. They have that material.

The CHAIRMAN. I have the figures here now. I just want the witnesses to identify the operation.

Mr. GODLEY. I do have knowledge of the operation. I think I can identify the operation.

Secretary LAIRD. I think the Ambassador should supply the details of the operation.

Mr. GODLEY. The first figure, sir, is the figure that I have used generally saying less than [deleted]. I believe on that piece of paper you have there it is indicated [deleted] which is the support of the Lao irregular forces.

The CHAIRMAN. That is right. I just want to identify them. You have been into it.

Mr. GODLEY. I might make one point that might interest the committee. That is that that [deleted] supports, equips, pays, supplies weapons and ammunition for 30,000 men, and I have always been extremely proud of our operation in Laos because I believe Secretary Laird would be delighted if he could field 30,000 men and cost our Government only [deleted]. That is [deleted] a year per man.

The CHAIRMAN. I want to identify for the record and the members who weren't here this morning, these two operations and the ones that

you have just described in the neighborhood of \$75 million, that is what you call the Lao irregulars in Laos?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. All right. There is another matter here that is listed on my memorandum for Thai irregulars operating in Laos. [Deleted.]

Mr. GODLEY. [Deleted.]

The CHAIRMAN. Are you familiar with that program?

Mr. GODLEY. Yes, sir.

The CHAIRMAN. And you have already covered that in your testimony?

Mr. GODLEY. Yes, sir. [Deleted.]

The unit cost per man is somewhat higher than the Lao irregulars due to the transportation costs of bringing them in from Thailand and their resupply.

The CHAIRMAN. I want to say this and I would have said it in the beginning except for this pressure of time. These operations that the CIA are conducting in Laos were not initiated by them. They were started originally by the then sitting President of the United States for reasons already given, and they are beyond the ordinary purposes of CIA, but I believe it is within the letter of the law. This statute—we will get it before us—authorizes the Security Council, which means the President, to assign operations other than just pure intelligence. That is the way it has been used anyway.

I point that out now because I don't know of any time the CIA has irregularly used their money. My knowledge of it is very clear. They have regular operations but these are extraordinary operations under assignment as I said. Personally I don't think it is in keeping with the primary purpose of the Central Intelligence Act but it is within the wording of that statute. I haven't read it lately but I think I remember what it says. I emphasize that now because, in my opinion, members of the committee, the CIA as presently operated has a good record and has handled the money appropriated in a fine way, and I think we ought to bear that in mind in connection with this matter.

Senator Smith.

Senator SMITH. Just for clarification purposes, you said that the CIA operation started under the then sitting President.

The CHAIRMAN. 1962. Excuse me.

Secretary LAIRD. I want to assure the committee that these transfers would not have been authorized to the CIA had we thought there was any legal question involved. This was adequately researched, I believe, by excellent legal counsel. I think Members of Congress were aware of these transfers from the beginning. I was aware of them as a member of the House Appropriations Committee prior to taking over as Secretary of Defense. This was not kept from the committees that had responsibility. There is no question in my mind as to the legality of the transfers.

The CHAIRMAN. Thank you, Mr. Secretary. I was referring to the primary law of the CIA. I haven't checked this out against the limitations Senator Symington referred to that were recently put in. I don't have a fresh opinion on that.

Secretary LAIRD. I have a brief on that if you would like me to supply it to the committee.

The CHAIRMAN. I would certainly be glad to have it.

If it is agreeable with the committee, I will follow Senator Byrd's suggestion now and we will get the full answers to these questions.

The first one was of Senator Symington, can you state any other examples where the United States has conducted military operations under directive of an Ambassador with the Department of Defense having no operational control? I suppose he is referring to any instances other than these two?

Mr. JOHNSON. My answer to that would be very simple, "No," this is unprecedented.

The CHAIRMAN. Are there any other operations where those responsible for operations, that is, the State Department or the Ambassador, are not responsible for the funds in their own budget but have the matter fragmented between the Department of Defense and CIA in the way we have already discussed?

Mr. JOHNSON. Well, without accepting the premises of the question, my answer again I would say would be "No," this has been financed and is being financed in a different way from any other operations that we have.

The CHAIRMAN. And you don't know of any other?

Mr. JOHNSON. I don't know of any others; no.

The CHAIRMAN. Three. As the committee understands, there are in northern Laos two North Vietnamese divisions of about 10,000 each. Would you give the committee the number of divisions and the men in North Vietnam, of North Vietnamese in southern Laos along the Trail, the number in South Vietnam and the number which are now left in North Vietnam?

Mr. JOHNSON. Ambassador Godley gave general figures on that.

The CHAIRMAN. Give them again.

Mr. GODLEY. My estimates, sir, and I would like to check this as I left Laos nearly 3 weeks ago, was approximately 25,000 regular North Vietnamese soldiers in northern Laos. The estimate along the trail, and here I would like to exert greater caution, my personal estimate would be that today, excluding people transient through the trail, it would be about 55,000. I would like to check those.

Mr. JOHNSON. That is consistent with the overall figure that we carry of about 80,000 throughout the country.

Mr. GODLEY. Mr. Chairman, to revert to your discussion of the CIA role, it might interest the committee to know my personal view of the CIA role in Laos and how I am convinced that they are rendering a great service to our Government, particularly the men involved.

You have less than [deleted] CIA men in Laos today and they are assisting and covering and supplying equipment for protecting our dollars of the force that numbers roughly 30,000 men.

I have a high opinion of our armed services but with the rotation program that the armed services have to maintain, I do not see how a similar number of Regular Army, other people, could do this.

They have, for example, in Laos, men [deleted] who speak the language, who know the terrain like the palm of their hand, and who do what I consider to be an outstanding job.

Another factor I believe is of great importance and that is the flexibility of their operation.

[Deleted.] So that they do perform for our Government in a manner that I don't think we could ever expect armed services to.

The CHAIRMAN. The more I get into this, the more I am impressed with the effectiveness and the great value of this operation, particularly under the present situation.

I want to give others a chance to ask questions.

On the question of the legality of the National Security Act, my attention has been called to Senator Church's bill, S. 1887, that was introduced and referred to this committee. We haven't gotten into it. He was proposing an amendment precluding such activities, which indicates he thought that they were legal as far as the national security is concerned.

Senator Smith.

Senator SMITH. I only have one question which I think is rather basic. Since this is a foreign policy matter and the Defense Department has only the bookkeeping end of it as its responsibility, why does this matter come before this committee, why should it not go before Foreign Relations?

The CHAIRMAN. Senator Smith, the money is in our bill beginning in 1966. There was an arrangement, an agreement among the Foreign Relations Committee, Department of Defense and Armed Services Committee that due to the war and the nature of it in Indochina that the authorization for military assistance, and that is what it is, would be handled by this committee. And it is in this bill now.

Senator SMITH. I know it is in this bill and it has been in this bill right along. We are having problems enough in getting our defense bills through and approved and the public is so opposed and becoming so antimilitary that it does seem to me this should be at least expressed between the State Department and the CIA and the Defense Department.

I would like Secretary Laird's comment on that.

Secretary LAIRD. Senator Smith, I think that the way circumstances have developed, it would be a mistake to make a change at this time in this program. Things are moving along much better as far as Indochina is concerned. We are going to have another announcement on American withdrawals around the middle of November as far as Vietnam is concerned.

[Deleted.]

The CHAIRMAN. I believe Senator Smith's question related to military aid being in this bill.

Senator SMITH. That is right.

The CHAIRMAN. Ordinarily this would be authorized by the Foreign Relations Committee.

Secretary LAIRD. That is correct. But there is an annual limitation on the amount of our service funding. The limitation is \$2.5 billion. But I think that it would be a mistake to shift this over to the military assistance program at this time.

Senator SMITH. [Deleted.]

Secretary LAIRD. [Deleted.]

The CHAIRMAN. Senator Smith, you and I talked about putting military assistance in a separate bill but we decided as you know that

we didn't have time to separate it enough. I appreciate very much your point.

Senator SMITH. Mr. Johnson, do you have any comments to make?

Mr. JOHNSON. No. My own feeling, my understanding is that among the considerations that led to putting this all in the one bill in 1966 that the military supply system that was supplying our forces in South Vietnam were also supplying our forces in Thailand. You could use one single system to supply these forces as well as supply Laos, whereas if you split it out and put it say in the military assistance program, then you would have to segregate this out and set up another segregated system for this portion of the program.

My understanding was that it was felt it would be inefficient to try to set up two separate systems for supplying essentially one theater of operations.

Secretary LAIRD. I tried to cover that in my opening statement, and explain that in the logistics area this arrangement does save a considerable amount of money. I do think, though, Senator Smith, that it is a mistake to limit further the \$2.5 billion ceiling which you already have in this bill. I think we can live with the \$2.5 billion limitation. However, any other limitation, I believe, would cause considerable trouble and not be in the best interests of the national security of this country.

Senator SMITH. [Deleted.]

This is another subject I think we must go into. The public doesn't understand, our colleagues on the floor don't understand, we are not permitted to tell our colleagues about it, and I think it is a very, very bad situation.

Mr. JOHNSON. I would like to echo what the Secretary has said. We would hope that there would not be another limitation limiting our ability to use this \$2.5 billion in a way that is going to be most efficacious in the area.

The CHAIRMAN. Well, that is your position, and we understand it. It still leaves us with a bad problem.

Senator ERVIN.

Senator ERVIN. What was the number of troops in the Royal Laotian Army?

Mr. GODLEY. Roughly [deleted], sir.

Senator ERVIN. And this is 30,000 in Thai volunteers?

Mr. GODLEY. The 30,000 are the irregulars. They are Lao irregulars, but they are volunteers.

Senator ERVIN. What I am trying to get at is the difference between the numerical number of the Laotian volunteers, irregulars rather, and the Thais.

Mr. GODLEY. The Thais in country today, or as of 2 weeks ago, was roughly [deleted] men.

Senator ERVIN. The 30,000 embraces the Thais, then?

Mr. GODLEY. No, sir. The 30,000 does not embrace the Thais. The 30,000 are the Lao element of the irregular forces which include—in addition to the 30,000, there are [deleted].

Mr. JOHNSON. The Thai portion of it is relatively small, but also it is, you might say, very crucial.

Senator ERVIN. I think that has been made very clear as far as I am concerned. That is all the questions I have.

The CHAIRMAN. Thank you, Senator.
Senator Dominick.

Senator DOMINICK. Mr. Ambassador, I had a chance to talk with some people who were back recently from Laos, and they were terribly concerned with the degree of appropriation by the Laotians, Royal Laotians, of the military equipment funds, assistance, and everything else that was coming in.

Do you have any comment on that? They were perfectly willing to admit in all of these countries you expect a certain amount of this, but they thought it had been very badly overdone in this case.

Mr. GODLEY. It is a problem, sir. We do the very best we can with our small number of Americans available, to conduct checks—end-use checks et cetera. The only figure I can cite that might be germane is the M-16 rifles where some, I believe it is 28,000, have been distributed and where we failed to account for only, I think it was, 480.

Now, you take combat losses et cetera, and the natural ordinary loss of rifles or weapons, and that was a rather reassuringly low figure.

I cannot deny, however, that the Lao Quartermaster Corps is not as tight as it ought to be. There are reports and there is much talk among American officials and even some Americans of the fact that a U.S. supply truck is seen carrying rice around or something like that, but we do not have a large number of Americans. The requirements office, which is sort of the in-country MAAG, if you call it that, comprises only 28 men, I think, 28 Americans. So we are operating under very firm ceilings, and we are trying to keep the American presence, American profile, as low as possible.

Senator ERVIN. I can appreciate that, but the information I had was that materials would come in for the conduct of a war and would end up either being used as building materials for Laotian generals or would end up as art objects in their house, be sold, and the money be used for that purpose. Quite a detailed list of things that I was told about.

Now, I have no method of determining how accurate it is, but those particular people who were talking to me were very enthusiastic about our effort to try to do something about Laos. They thought this was so bad it was undermining our whole effort.

Mr. GODLEY. I believe they are referring to the southern portion of the country, were they not?

Senator ERVIN. Yes.

Mr. GODLEY. [Deleted.]

Senator ERVIN. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator ERVIN. Is there any way of moving around this problem that you can see?

Mr. GODLEY. Yes, sir, and I think we have improved it somewhat recently [deleted].

[Deleted.] But I do think we have made a little bit of progress but I am not happy with the situation.

Senator ERVIN. Thank you for your frankness. This is most encouraging.

The CHAIRMAN. Your testimony is very good, all of you. I think the operation is very valuable. I see what you are up against and I know you can't change the CIA involvement this year but I do hope that

after fiscal 1972, you find some other way to do this. Unless it is changed as soon as you can, it is going to be very injurious, I think, to the highly valuable and effective intelligence-gathering organization we have.

Senator Cannon?

Senator CANNON. Thank you, Mr. Chairman.

Mr. Ambassador, I want to just review some of the items that you have gone into and see if I have things correctly in content.

The Laotian regular army consists of [deleted], that is, of their regular military establishment.

Mr. GODLEY. The regular army is [deleted] of whom [deleted] are what they call neutralist forces.

Senator CANNON. Those are the Thai's?

Mr. GODLEY. No, sir.

Senator CANNON. I see.

Mr. GODLEY. We had three forces at the time of the Geneva Convention. You had the right wing, the neutralists, and you had the left wing. Prince Souvanna Phouma headed up the neutralists and the concept of neutralist forces has still been maintained and it can be useful we hope in that the latest proposal he has made to the Pathet Lao, the Communist forces in Laos, is that the neutralist forces assure the security in the area where we hope and pray that some sort of negotiations can begin soon.

Senator CANNON. But neutral forces are still acting as a military force in providing security for some of the areas.

Mr. GODLEY. Yes, sir.

Senator CANNON. As a matter of fact, I visited some of them on one of my visits over there. I didn't find any distinction between the neutralists and the regular except they were in different locations. Then you have the 30,000 Lao irregulars?

Mr. GODLEY. Yes, sir.

Senator CANNON. Those are not in the Military Establishment but are recruited for teamwork and this sort of thing?

Mr. GODLEY. Originally, yes, sir, but now they are becoming more and more a part of the Military Establishment. And in the second military region, where I believe you visited, just south of the Plain of Jars, that includes the Plain of Jars, there they are an effective military establishment.

Senator CANNON. That is Vang Pao's, Meo tribesmen and this sort of thing?

Mr. GODLEY. Yes, sir.

Senator CANNON. Are these people all paid by the Laotian Government with the help of our military assistance program?

Mr. GODLEY. No, sir, they are not. They are paid by CIA.

Senator CANNON. That is the irregulars you are talking about?

Mr. GODLEY. Yes, sir.

Senator CANNON. But the Laotian Army, [deleted] are paid by the Laotian Government?

Mr. GODLEY. Yes, sir.

Senator CANNON. And with our assistance, military assistance?

Mr. GODLEY. They are paid by the Laotian Government out of the Laotian Government budget of national defense, the national defense

budget. We do assist them with weapons, of course, uniforms, and some food is accorded their dependents. In other words, rice.

Senator CANNON. All right.

Secretary LAIRD. It should be understood that the Department of Defense does not provide military pay for the Lao regulars.

Mr. GODLEY. We are not paying the regulars.

Senator CANNON. The Government themselves pay the regulars and we pay for the irregulars through the CIA.

Now, what about the Thai's, [deleted] Thai's? We pay those through the CIA as well?

Mr. GODLEY. Yes, sir.

Senator CANNON. And are they assimilated into the Laotian Army units or are they kept separate in separate units?

Mr. GODLEY. Their units are assimilated with the Laotian regulars.

Senator CANNON. All of them?

Mr. GODLEY. Yes, sir. That is the situation as of today. Now, it could change. But as of today they are assimilated with the irregulars but in one specific area, for example, they are fighting shoulder to shoulder with Lao regular forces. That is in the southern portion of the country.

Senator CANNON. Are any of these Thai's, these [deleted] Thai's, members of the Thai military establishment?

Mr. GODLEY. No, sir, they are not.

Senator CANNON. And Senator Symington raised a question [deleted].

Mr. GODLEY. [Deleted.]

[Deleted.]

Senator CANNON. [Deleted.]

Mr. GODLEY. [Deleted.]

Mr. JOHNSON. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator CANNON. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator CANNON. Now, you mentioned, Mr. Secretary, that the air effort was not included in this money figure that you were talking of, the bombing of the trail and other air effort. What about the CIA air effort that is used for transportation, for hauling supplies and this sort of thing, is that included in these funds that you gave us here?

Secretary LAIRD. It is included, Senator Cannon. I want to make one point, however. There is \$143 million in this breakdown, better than \$143.4 million included in the breakdown that does apply to air support other than in the Ho Chi Minh trail area. In the figure that was used by the chairman of the committee earlier this morning, \$490 million program value, \$407 million budget amount, there is \$143.4 million in air support effort included.

Senator CANNON. But that \$143 million, then, that includes the [deleted] for CIA?

Secretary LAIRD. No.

Senator CANNON. That is a separate item?

Secretary LAIRD. [Deleted.]

Senator CANNON. All right, then, does the \$143 million include the air effort of CIA? Where does that come in?

Secretary LAIRD. No, it does not. [Deleted.]

Senator CANNON. Now, CIA enters into the contracting arrangements themselves for the air effort that is carried on.

Secretary LAIRD. That is correct. We are not talking about the Department of Defense. CIA makes their own contracts—CIA local area office.

Mr. JOHNSON. The transport, not the combat.

Senator CANNON. Now, what about the indigenous combat support effort, where does that, air, where does that come in?

Mr. JOHNSON. Talking about the Laotian Air Force?

Secretary LAIRD. This comes in these two figures.

Mr. JOHNSON. I don't know whether it is Lao Air Force or whose. The one that flies the A-1s and——

Mr. GODLEY. T-28.

Senator CANNON. Is that Lao or is that——

Mr. GODLEY. That is the regular MASF military aid support which is run by RO, and that is the larger figure there, and the reason that figure was so large is due to the air ordnance which is supplied.

Secretary LAIRD. That is the top figure. I think you have the same chart that I have.

Senator CANNON. [Deleted?]

Secretary LAIRD. Yes, sir, [deleted].

Senator CANNON. And for the Royal——

Secretary LAIRD. [Deleted.] And the program level is higher than the budget figure because of the use of stocks purchased for other requirements in prior years and already paid for.

Senator CANNON. But that includes all of the pilots that fly the T-28s. Some of those are [deleted].

Mr. GODLEY. [Deleted.] The entire Royal Lao Air Force effort is [deleted] all flying personnel who are indigenous Lao. That includes the C-47 and that includes the T-28, and that also includes the helicopters.

Senator CANNON. So there is no air combat effort of nationals there other than Laotian on the one hand and our people on the other hand?

Mr. GODLEY. That is correct.

Secretary LAIRD. The A-1s that you mentioned, Senator Cannon, those come out of Thailand. Those are not Royal Lao aircraft. That is U.S. Air Force. The Royal Lao Air Force does not have——

Senator CANNON. They have the T-28. Now the A-1s still operate over Laos, do they?

Mr. GODLEY. Yes, sir; the same way other U.S. Air Force craft——

Senator CANNON. That effort is not chargeable in this breakdown here; is that correct?

Secretary LAIRD. Yes, that is in the \$143.4.

Senator CANNON. All right.

Secretary LAIRD. That is included there. Senator Cannon, I think it is important to point out that what you may hear and some of the reporting that we have had here in the United States recently, would lead you to think that the air effort was on a tremendous increase in North Laos. This is not the case. As a matter of fact, during the last month of July the number of air sorties in North Laos went down from 1970, in July, when we had [deleted], to this July when we had [deleted], and yet the reporting is as if we were flying more sorties.

Well, this July we flew just a little more than half the number of sorties that we flew last July.

The CHAIRMAN. Gentlemen, excuse me. The time has run out. You have one more question?

Senator CANNON. I would like to respond to that. I don't find it particularly reassuring to find that our sorties are less. I would rather see that they were going up to get this doggone thing stopped.

Mr. GODLEY. Thank you, Senator.

The CHAIRMAN. All right, we want to get to everyone now and what all of you say is important. With all three testifying it burns up the time pretty fast.

Senator SCHWEIKER. Thank you, Mr. Chairman. Mr. Ambassador, I am not quite clear on one figure. In the testimony, The transcript says the Laotian Government has 85,000 men, regulars and irregulars, to struggle against the North. Are the 30,000 part of those 85 or is that in addition to the 85?

Mr. GODLEY. It is part of the 85. That figure of 85 includes the regular Lao Army, the Lao irregulars and now the Thai irregulars.

Senator SCHWEIKER. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator SCHWEIKER. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator SCHWEIKER. And the balance is Laotian Army people?

Mr. GODLEY. Yes, sir.

Senator SCHWEIKER. I gather we are funding that through our military assistance program to some extent, not CIA?

Mr. GODLEY. Correct, not CIA. That is through the MASF figure.

Mr. JOHNSON. It is through the MASF, the Military Assistance Service Funded. It is included in these figures that have been furnished.

Senator SCHWEIKER. Right. [Deleted.]

Mr. GODLEY. [Deleted.]

Senator SCHWEIKER. And did I understand there are [deleted] CIA people, did you say?

Mr. GODLEY. Approximately; yes, sir. Less than [deleted].

Senator SCHWEIKER. The background of these people, would they have been Green Berets, Army people, or all purely CIA?

Mr. GODLEY. No; many of them have done military service like a lot of us. Some of them were academy graduates who left the Army or who left the Marines, what-have-you. But in no case, sir, has there been any what we call sheep dipping. There has been no instance of a man seconded by our military forces to serve with the CIA in Laos. We frequently have been accused of the secret Army and these are all Green Berets men, et cetera. But in every case the man has perfectly honorably left the Army, in some cases he has been out for 2 or 3 years and hired by CIA.

Senator SCHWEIKER. Of his own volition ends up there?

Mr. GODLEY. Yes, sir.

Senator SCHWEIKER. One of the reports is if the Communists wanted to take over Laos and want to concentrate on Cambodia and Thailand, Cambodia and the other parts of Southeast Asia, they could at any time. Is that an accurate statement?

Mr. GODLEY. I believe so. It is a question of allocation of enemy resources. If they wanted to put four divisions into the central northern

portion of Laos, it would be extremely difficult to stop that. If they wanted to allocate enough rockets, mortar rounds, personnel to transport this, et cetera, they could do it. But the enemy I don't believe has limitless resources.

Senator SCHWEIKER. Why have they decided not to do that? In other words, why in your judgment haven't they used that option?

Mr. GODLEY. Because I don't think their resources are limitless and if they did knock out Laos they wouldn't have as much as if they used those forces in South Vietnam.

I personally am convinced that their target, their objective is still South Vietnam, dominating South Vietnam through military means.

Senator SCHWEIKER. I gather part of the answer be, too, that they can still use the Ho Chi Minh Trail regardless of whether this situation—

Mr. GODLEY. Yes, sir.

Senator SCHWEIKER. If all of those things are true, why is it so strategically important for us to fight on there, if they really don't need that part of Laos, to take on South Vietnam, or use the trail? Why is it so advantageous to us to put this effort in to stop them?

Mr. GODLEY. [Deleted.]

The CHAIRMAN. If the Senator would yield to me. Mr. Ambassador, aren't you also interested in protecting Thailand? Isn't that one of the purposes of the Thai irregular troops coming over there? You would just turn them loose on Thailand if you wouldn't stop them in Laos; is that correct?

Mr. GODLEY. Yes, I believe that is a very germane point. That gets into the whole question of SEATO and the threat to Thailand and I personally believe it is to our Government's advantage to maintain a Lao buffer area, in other words, keeping the North Vietnamese or the Communists away from Thailand.

Mr. JOHNSON. And the Thai interest in this is real concern, genuine concern, that certainly that is motivation for Thai to join this fight in Laos and that is why I reject the term "mercenary" in talking about the Thai in this situation.

Senator SCHWEIKER. I know this is a little difficult, but roughly, what percentage of the land and the people are divided between the Communists and the other forces.

Mr. GODLEY. These are ball park figures. We don't know how many Lao there are in Laos but our best guess is about 2,800,000. And our best guess is that roughly 800,000 are behind enemy lines being held there and roughly 2 million are in friendly areas. Geographically, there is no front line in Laos but geographically we have said roughly two-thirds of the country are under enemy control and one-third under friendly control. But it is the populated areas that are under friendly control, Mekong Valley.

Senator SCHWEIKER. Two-thirds of the land areas is Communist, but one-third are under our control?

Mr. GODLEY. That is correct.

The CHAIRMAN. Senator Byrd.

Senator BYRD. Mr. Secretary, the authorization that you are seeking, is it \$490 million or \$407 million?

Secretary LAIRD. Senator, the governmentwide budget that the administration has presented includes \$407 million as the overall

Laos budget request in fiscal year 1972. It includes funds not only for DOD but for CIA and AID programs as well. The program value is somewhat different, as I explained earlier in the opening statement. That includes excess military equipment as this is the normal procedure for us so we can keep some limitation on the overall program.

Senator BYRD. But the budget authority that you are seeking is \$407 million?

Secretary LAIRD. That is correct, governmentwide.

The CHAIRMAN. We asked for and got the breakdown to that extent, Senator.

Senator BYRD. Yes. [Deleted.]

Secretary LAIRD. [Deleted.]

Senator BYRD. [Deleted.]

Secretary LAIRD. [Deleted.]

The CHAIRMAN. [Deleted.]

Secretary LAIRD. [Deleted.]

Senator BYRD. That is satisfactory. Let me ask you this: Is the air effort of CIA included in this \$407 million?

Secretary LAIRD. Yes, it is.

Senator BYRD. One other question. Mr. Ambassador, as I recall, you replied to one of the queries as to how many North Vietnamese are in Laos and I think you said 55,000, was it?

Mr. GODLEY. I think so. I said 55,000 along the Ho Chi Minh trail area excluding people in transit.

Then another 25,000 in northern Laos.

Senator BYRD. That gets the 80,000 Ambassador Johnson was speaking of.

Mr. GODLEY. Yes, sir. I do want to caution, it is awful hard to figure out how many Communists.

Senator BYRD. Do we contribute in any way to the national defense budget of the Laotian Government.

Mr. GODLEY. Not directly, sir. Indirectly through the foreign exchange operations funds, and that is included in the AID budget of \$50 million. That is not all direct contribution, however, there are some program funds involved there, education, public roads, public health.

Senator BYRD. Thank you.

Senator ERVIN. As I deduce from the testimony, the overall population in Laos tie down a substantial number of North Vietnamese who otherwise would be available to North Vietnam for any operations they might want to make against Thailand or South Vietnam or elsewhere, or Cambodia?

Mr. GODLEY. That is my opinion.

Mr. JOHNSON. That is correct.

The CHAIRMAN. If I may remark, the most recent member of our committee to be in Vietnam and Laos, as I recall, is the Senator from Ohio, Senator Saxbe, and I am glad he could be here today.

Senator SAXBE. Thank you for your testimony, Mr. Ambassador. I might say by way of introduction that all of these facts that we have been presented here this morning were presented to me in Laos. I have been rather confused by some of the committee members' statements because these facts were available to them, I am sure, as they

were made available to me when I was in Laos. I might say that I was shocked and amazed at what is going on in Laos but I was informed of it all as it has been presented here this morning. There is very little that I didn't know. I was even taken to see the Thai casualties at Udorn and our military hospital there.

Tell me this, Mr. Ambassador. Is the gunship program included in this?

Mr. GODLEY. Yes, sir. The Lao gunship program?

Senator SAXBE. I am talking about our gunship program.

Secretary LAIRD. No.

Senator SAXBE. It is not?

Secretary LAIRD. There would be some gunship operations in the \$143.4 million. But the total overall—that would be covering ordnance and purchase of gunships, and so forth. Are you talking about new gunships?

Senator SAXBE. Yes.

Secretary LAIRD. On the Ho Chi Minh trail?

Senator SAXBE. Right.

Secretary LAIRD. No, they are not in this figure.

Senator SAXBE. I was amazed to find they don't even fly out of Udorn. They usually come from more distant points.

I was also impressed by the effectiveness of them at that time. [Deleted.] You were getting more than that a week in the gunship programs at the time I was there.

Mr. JOHNSON. Very impressive.

Secretary LAIRD. We have [deleted] more going out very shortly within the next few months. They are very effective. They are responsible for the vast majority of the truck kills although they represent only about [deleted] percent of the sorties. Their effectiveness is very great.

Senator SAXBE. Now, we have an elaborate system of getting out of Vietnam. How are we going to get out of Laos?

Mr. GODLEY. I think when we get out of Vietnam—

Mr. JOHNSON. In the first place, of course, I think in one sense you can say we are very fortunate we are not in Laos in any military way. The only U.S. forces involved in Laos are the air. We have no combat forces stationed there. And I personally feel that although the way that the operation has been run is unorthodox, unprecedented, as I said, in many ways I think it is something of which we can be proud as Americans. It has involved virtually no American casualties. What we are getting for our money there, as the Ambassador said, is, I think, to use the old phrase, very cost effective, and I would hope and expect that with the settlement in Vietnam you would get a settlement also in Laos. In fact the two have to go together.

Senator SAXBE. What I am thinking about is if we don't get a settlement. As we withdraw our personnel from Vietnam, Laos is a pretty isolated place, only giving us access through Thailand, and once we lose these other forces, I have a feeling we are going to be right back where we were.

Secretary LAIRD. The Vietnamization program does not anticipate an end of assistance to Vietnam.

Senator SAXBE. I know.

Secretary LAIRD. Of course, the best way to get an end to the American involvement is still the negotiation route. But the Vietnamization program is giving the capability to the South Vietnamese to face the North Vietnamese and VC threat within country. I have testified on many occasions that we would have to continue our military assistance programs. I would assume that a military assistance program would continue for Laos and for Vietnam without a negotiated settlement. The idea of the Vietnamization program—phase 1, phase 2, and phase 3—as I outlined to this committee, is that we would still continue our military assistance.

I have watched Senator Symington and I have heard a record of his statement yesterday and I think we are getting our money's worth for what we are doing.

Mr. JOHNSON. The reason for the way we have done some of these things, of course, is to maintain this posture because it has been our feeling that that posture had some value to us in terms of our own flexibility as well as some value in bringing about some settlement within Laos that would make it easier for the other side.

It has enabled us to maintain Souvanna Phouma and the fact of the matter is that in Laos there is still only one legal government. Even the other side recognizes, as you know, Souvanna Phouma as the Government.

As you also know, you have the Chinese Communists, North Vietnamese, and Soviets who all have their embassies in Vientiane and maintain relations with that Government, and some of the things we have done, we have done in the way we have done it because that Government of Souvanna Phouma felt this would help him maintain this posture which he felt had some value, and we feel has some value.

Senator SAXBE. Thank you.

The CHAIRMAN. Thank you.

Before the membership leaves, I want to ask some questions of the Secretary.

Mr. Secretary, we have to get down to the nuts and bolts of figures here. We have to do something about this money for Laos.

Senator Symington has a limitation proposed of \$200 million and I would hope we could get together some figures that we could go to the floor with.

What kind of a figure other than what you have here before us can you live with? What can you propose by way of concessions, if I may use that word? This is not an easy matter.

What would happen if you withdrew entirely? Suppose we prohibit you spending any money in there? Do you want to cover that one first?

Secretary LAIRD. I think it would be a mistake for the committee to set another limitation within the Defense Department bill for Laos. This would only cause additional debate, it would highly—

The CHAIRMAN. Yield to me just a minute there.

We are down to the nub of things here. I believe that every man around this table, the full membership, will listen to reason. We might just settle the whole thing. Let's try anyway.

Secretary LAIRD. Mr. Chairman, I think this is a reasonable program for Laos for fiscal year 1972.

The CHAIRMAN. Well, I do not doubt it being reasonable, but where can we yield some on it?

Mr. JOHNSON. Mr. Chairman, if I could comment—

The CHAIRMAN. Pardon me, if you do not mind. Here is the man that deals with figures and this is military money after all.

I know we operate through you gentlemen, but I am going to let you answer. If the Secretary has anything further on his mind about those figures before we leave—

Secretary LAIRD. I support these figures, Mr. Chairman, and I think it is a reasonable program, that we do get our money's worth from the standpoint of the military operations that are involved.

The CHAIRMAN. I do not question that. I think you do, too. I think it is one of the most valuable operations we have and it has been carried out mighty well. But we are up against a condition here, not a theory. We have to balance this thing some way.

All right, you think that over again, if you will. Let's hear what the Ambassador says.

Mr. JOHNSON. I just want to say, Mr. Chairman, I would hope that, the same as Secretary Laird, the committee would not feel it necessary to set a sublimitation within their appropriations on this for political reasons, if you will.

I would regret us at that time making public, making known to the other side that there is a ceiling on what we are going to do in Laos, regardless of what they do. I am not going to say we are going to do any more than we are planning to do, but to tell them there is a ceiling on what we are going to do is, it seems to me, of questionable wisdom at this particular time, and I would hope that the Department of Defense and the Executive would be able to exercise discretion as the situation develops in the use of the funds that were appropriated where they will do the most good in the area.

Neither I nor the committee can foresee the course of events during this coming year and I would very much hope that we would not have to have any limitation.

The CHAIRMAN. Well, you have given us your opinion and that is good. I hope we do not have to put a limitation on either, but getting down to it, is there not something here that you could get along without?

Secretary LAIRD. Mr. Chairman, the very thing here, of course—

The CHAIRMAN. Excuse me a minute.

Before Senator Ervin leaves, I want to ask this question: What would happen if we did limit you to the \$200 million; what would happen?

I am talking about Laos. What would happen and how would it affect our winding down over there?

Secretary LAIRD. You might as well abandon the program if you make that drastic cut in fiscal 1972.

The CHAIRMAN. Do you agree?

Mr. JOHNSON. Yes, sir.

The CHAIRMAN. What do you say?

Mr. GODLEY. Absolutely, sir.

The CHAIRMAN. Do you want to develop that any further?

Secretary LAIRD. I think we would be happy to develop it further. Mr. Chairman, but it seems to me if you go and cut this program in half, in fiscal 1972, as is proposed by this amendment, it would be better to abandon the program. I believe this is a reasonable program and I think from the standpoint of the military significance in the region that this particular program is a good investment.

The CHAIRMAN. Well, I do not have any doubt about that and I am glad all of you think so.

Well, as I understand, then, you could not live with \$200 million?

Secretary LAIRD. I believe that this program is cut very close to the limit now for fiscal year 1972. I cannot say we cannot cut back on air sorties further than we have. That is possible, but I think it would be a mistake not to have that capability throughout fiscal 1972.

The CHAIRMAN. Well, one hope I have, frankly, is that we might get agreement that this \$126 million you have here for TAC air and B-52 sorties, outside of the Ho Chi Minh trail, would be eliminated from any restrictions.

Mr. JOHNSON. Mr. Chairman, as you read the amendment Senator Symington has introduced, do you read that as also applying to South Vietnamese operations, cross-border operations against the trail as well?

The CHAIRMAN. No, he excludes the trail.

Secretary LAIRD. He does not include that, but he does include the air support the way the amendment is presently drawn. The air support in north Laos is included.

I think Senator Symington is concerned about one particular portion, at least you have discussed it with me, [deleted]. He would like to eliminate that.

The CHAIRMAN. Yes.

Secretary LAIRD. And eliminating that particular portion at this time, I think, would be a mistake.

The CHAIRMAN. For the Thai irregulars, you say?

Secretary LAIRD. Yes, sir.

Mr. JOHNSON. As the Ambassador pointed out, they were a decisive element in being able to hold Long Tieng during the last dry season.

The CHAIRMAN. What would happen if you did not hold them? What would happen?

Mr. GODLEY. I think if Long Tieng had been taken, your effective military presence, the Royal Lao Government military presence in northern Laos, would have disappeared.

I have no doubt in my mind that you would have had a dramatic change of government in Vientiane and I think the consequences there would be extremely unfortunate [deleted].

I might make one other point, sir.

Those of us who are optimists, and we all have to be optimists, particularly dealing in Laos, are hoping that some sort of negotiation can take place between the Lao regarding north Laos. I say I am an optimist in expressing this hope because, in all reality, the Lao Government is not dealing with their own insurgent forces, if you want to call them that, but in reality they are dealing with Hanoi.

There have been exchanges of communication between the Lao

Government and the Communist Pathet Lao and the last exchange looks better than the previous exchanges.

I am not holding out hopes here or anything else. I am convinced if we, who are the Royal Lao principal supporter, were to come out with a ceiling or a limitation, it would just cut the ground right out from under them, even among our friends, our friends would throw up their hands and I think that is one of the factors that the Under Secretary has alluded to here, but I just wanted to say I cannot hold, in honesty, I cannot hold out great hope, but there is a little bit of hope and we are doing everything we can to foster this negotiation atmosphere with regard to northern Laos.

The CHAIRMAN. So you say in effect the government would be overthrown perhaps?

Mr. GODLEY. I am convinced of it, sir.

The CHAIRMAN. Would you mind pointing out there, Mr. Ambassador, on the map, just where this protection to Thailand is involved?

Mr. GODLEY. If I could, just for the record, allude to the press report that Senator Symington mentioned, the area that he was referring to up here, and this press report of the other day was not very accurate.

Actually, two of the Thai irregular battalions went into a camp in this area which I emphasize is a Royal Lao Government camp. There is no question of the Thais setting up an advance Royal Army base or anything like that.

In other words, that press report was totally erroneous on that point. [Deleted.]

[Deleted].

The interest in Thailand, of course, here is the fact that just over in this area of Thailand, Nan Province is one of the areas where the Thai insurgents are so active, and also, this is the Chinese road that you have heard so much about that comes down here.

So it is obviously in the interest of both governments to have an effective force in this area.

The CHAIRMAN. I want to yield to Senator Smith.

Senator SMITH. Mr. Chairman, when I asked my question a while ago I was not asking it because of the merits of the thing or whether the CIA should be in there or not, or whether it was successful or not. What I was trying to determine was why an operation should be carried on in Laos under the direction of the State Department through the Ambassador [deleted.]

I am not going to pursue it, but I may submit some questions and see if I can get one direct answer on that question for the record.

Mr. JOHNSON. May I seek to answer that briefly?

Senator SMITH. Yes.

Mr. JOHNSON. Under the Geneva 1961 agreement, we were prohibited from having American military personnel in Laos and that is the brief answer.

The CHAIRMAN. That is the way it got started?

Mr. JOHNSON. That is right.

Senator SMITH. That has not anything to do with the placing of the funds?

Mr. JOHNSON. CIA is really the only other instrumentality that we have.

Senator SMITH. It is very sensible to those of us who know some of the answers, but it is not simple to the people over on the floor.

Thank you very much.

The CHAIRMAN. Senator Byrd?

Senator BYRD. Thank you, Mr. Chairman. Just one question.

[Deleted.]

The CHAIRMAN. Off the record.

(Discussion off the record.)

The CHAIRMAN. Back on the record.

The CHAIRMAN. Are there any additional remarks or points you gentlemen care to make?

Secretary LAIRD. I have nothing. I appreciate having the opportunity to testify today, Mr. Chairman.

The CHAIRMAN. We appreciate your fine cooperation on the part of all three.

Mr. JOHNSON. I have nothing to add. I tried to cover to the best of my ability the points I think are of concern to the committee and Ambassador Godley has done so.

Mr. GODLEY. Thank you very much.

The CHAIRMAN. Something further?

Mr. GODLEY. No, sir.

The CHAIRMAN. We thank you very much.

Mr. BRASWELL, do you have anything to ask?

Mr. BRASWELL. No, sir.

The CHAIRMAN. Well, we are certainly grateful and we take this from here the best week.

(Whereupon, at 1:05 p.m., the committee adjourned, subject to the call of the Chair.)

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